

103
HEARING TO CONSIDER THE PRESIDENT'S NOMINATION OF ERSKINE B. BOWLES TO BE ADMINISTRATOR OF THE U.S. SMALL BUSINESS ADMINISTRATION

Y 4. SM 1/2: S. HRG. 103-187

Hearing to Consider the President's... **ING**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE**

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

HEARING TO CONSIDER THE PRESIDENT'S NOMINATION OF ERSKINE B. BOWLES TO BE ADMINISTRATOR OF THE U.S. SMALL BUSINESS ADMINISTRATION

MAY 6, 1993



NOV 26 1993

U.S. GOVERNMENT PRINTING OFFICE

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May 6, 1993:	
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HEARING TO CONSIDER THE PRESIDENT'S NOMINATION OF ERSKINE B. BOWLES TO BE ADMINISTRATOR OF THE U.S. SMALL BUSI- NESS ADMINISTRATION

THURSDAY, MAY 6, 1993

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to notice, at 12:58 p.m., in room SR-428A, Russell Senate Office Building, Hon. Dale Bumpers, Chairman of the Committee, presiding.

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

The CHAIRMAN. I would like to set a Congressional record by starting a hearing early.

We are here today, as you all know, for a hearing on President Clinton's nomination of Erskine B. Bowles of North Carolina to be Administrator of the Small Business Administration. I can only say that this day has been a long time coming. This is our fourth Administrator's confirmation hearing since I became Chairman of this Committee in 1987, and this nominee is the first who is not a defeated candidate for the United States Senate.

[Laughter.]

The CHAIRMAN. SBA has wandered in the wilderness for a long time now, and we hope that the wandering is at an end. Mr. Bowles, from all that I have learned about him so far, is exactly what others and I have called for in an Administrator, a person with impeccable credentials and a record of accomplishment in the world of business.

In the interests of time, I will ask consent to include a more formal statement in the record.

[The prepared statement of Senator Bumpers follows:]

PREPARED STATEMENT OF SENATOR DALE BUMPER

President Clinton has made a welcome departure from precedent in choosing Erskine Bowles to be Administrator of the Small Business Administration. SBA—the only federal agency created specifically to serve the needs of the small business economic sector—has suffered both insult and injury over the last 12 years.

President Reagan's OMB Director called SBA a "billion dollar rathole." Mr. Reagan and President Bush appointed three successive SBA Administrators whose chief qualification seemed to be having been defeated as candidates for the U.S. Senate. The agency went from about 6,000 employees in 1980 to about 4,000 today, while its workload more than doubled during the same time. During the 1980's, SBA

experienced Wedtech, probably the worst federal procurement scandal since Teapot Dome, and an annual Presidential proposal to torpedo the agency entirely. The decade of the Savings and Loan debacle, of Liar's Poker and of gargantuan federal deficits, treated small business owners as big business failures.

Nonetheless, throughout the last decade analysts reported that small firms were creating the overwhelming majority of new jobs in the economy while the Fortune 500 stalled. That stall has now turned into a tailspin as major corporations have laid off workers by the tens of thousands since the beginning of the 1990 recession.

Forty-two percent of our GNP comes from small business and half of American workers are employed in companies with fewer than 500 employees. Yet, today, the most promising sector of our economy is stifled by the lack of available debt capital for expansion or even daily operations. The infamous "credit crunch" has slammed the loan window shut on the hands of all kinds of entrepreneurs—both those reaching for the first rung of the economic ladder and those long-established, reliable small businesses which put food on the tables of most American families.

The cause of the credit crunch are several and complex, but this is clear: SBAs guaranteed loan program is the last refuge for these would-be borrowers, and today that program is shut down for lack of funds. Loan guarantee authority, although it is not direct spending because no federal outlay occurs unless the borrower defaults on the loan, must nonetheless be appropriated by Congress. Appropriations for the 7(a) program have not nearly kept pace with demand in the last 2 years.

I must add that the lack of funding for 7(a) loans has not escaped the attention of the President or Congress. President Clinton's economic stimulus package contained \$141 million in funding to support \$2.6 billion in SBA 7(a) loans. Unhappily, that bill was talked to death in the Senate by the Republican minority. The bill, it was said, was larded with "pork". Not one member of the other party was willing to stop debate on that bill and allow it to pass, notwithstanding that a clear majority of the Senate supported the bill.

Erskine Bowles faces some large tasks. The agency he is about to take charge of is without funds to operate its largest program. The agency overall is understaffed, and we have reaped some bitter harvests from that lack of resources in recent years. Last year, Congress and the President did agree on a promising new venture capital program for small business, but funding for the new SBIC program is snagged in a dispute over a provision of the bankruptcy law which must be resolved.

The small business sector remains our economy's best hope for new jobs, innovation and for international competitiveness. It desperately needs our support, and our economic recovery truly depends on it. Erskine Bowles, I know, has high aspirations for the long downtrodden SBA and for small businesses. Small business has been his life's work, and he has truly done well by doing good. We are extremely fortunate to have someone of his expertise and background who is willing to take on an important but beleaguered agency. I intend to do everything in my power to help him, and I ask everyone of my colleagues to do the same.

The CHAIRMAN. Now, I am going to recognize the junior Senator from North Carolina, Senator Faircloth, and after he and possibly Senator Helms have testified, then I will turn to my senior ranking member, Senator Pressler, for any comments he has. And I am going to ask Mr. Bowles to withhold his statements until other members of the Committee have had an opportunity to make their opening remarks.

Since all Senators will doubtless want to pose questions to the nominee, I hope my colleagues will keep their statements brief, as well.

Senator Faircloth?

STATEMENT OF HON. LAUCH FAIRCLOTH, A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator FAIRCLOTH. Mr. Chairman, I thank you for giving me the opportunity, to be here today. I have known Erskine Bowles most of his life, since he was a young man. His father was a long-time friend of mine, and his mother, who is here with him today, is still a friend.

When Erskine Bowles—and I can put it very simply—heads the Small Business Administration there will never be a question as to his competence or his integrity. That is the kind of people he comes from and the kind of man he is. The SBA will be run right. You wanted it to be out of the wilderness, and it will be out of the wilderness with Erskine Bowles running it. While he is there, it will be done right.

Erskine will bring to the SBA and to Washington something that is lacking here in so many departments of Government. That is a thorough knowledge of how the private sector functions. Not only Erskine, but also his wife Crandell, have been involved in the private sector all of their lives. Ms. Bowles is a leading executive of one of the major textile companies in this country. Erskine Bowles comes from a family that have been in business for generations, his father and his grandfather. He knows how the business world functions.

I am well aware that Erskine is taking this position at a great personal sacrifice. I feel it is a credit to the Clinton administration that they have been able to attract a man such as Erskine, with his ability and talent, to make the personal sacrifice that he is making to serve in Government. As I said, there is no question Erskine will do the job. He will do it right, and there will never be a question of his honesty and competence while he heads the Small Business Administration. The Nation is lucky to have him.

He is a life-long Democrat, Mr. Chairman, but there is still hope for him.

[Laughter.]

The CHAIRMAN. Unlike some of us I know.

[Laughter.]

The CHAIRMAN. Senator Faircloth, thank you very much for your fine statement. The Committee appreciates your coming over here to speak so glowingly about our nominee. We appreciate it very much.

Senator Helms.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator HELMS. Mr. Chairman, before I begin let me tell you about this fellow here. He was sworn in on January 5, and he left the Senate Chamber and got on an airplane and went back to North Carolina and made a speech. He got up down there, and said "Ladies and gentlemen, I took the oath of office of U.S. Senator today at 12 o'clock." Then said, "When I pulled down my hand, Jesse Helms became the liberal Senator from North Carolina."

[Laughter.]

Senator HELMS. But I am sitting by two fine North Carolinians here. I am confident that you are going to like President Clinton's nominee for the post of Administrator of the Small Business Administration. As a matter of fact, I would lay money on it, and I am not even a betting man. Erskine Bowles has the experience, the knowledge, and the dedication to do the job extraordinarily well, as Senator Faircloth has specified, because Erskine Bowles knows that the small business of America are the guts and feathers of econom-

ic development, the creation of jobs, and everything else endemic to the unfettered free enterprise system. So I was utterly delighted when I learned that the President had selected Erskine Bowles.

Now, Lauch has just told you, and you have printed information before you relating to the career of Erskine, so I am going to largely forego a discussion of that. Instead, I ask your indulgence as I talk about the Bowles family of Monroe, North Carolina, which just happens to be my birthplace and the birthplace of Admiral Bud Nance, former skipper of the Forestall whom all of you know. Also Andrew Jackson was born about 12 miles from there.

Monroe is the county seat of Union County which is where, as I said; Andy Jackson was born. Never mind that Andy Jackson was a resident of Tennessee when he was elected. He got his start in the same county as the Bowles, the Nances, and the rest of us.

Now, let me get personal. Erskine Bowles' father, Hargrove Skipper Bowles, was one of my closest boyhood friends. He was a good man, and I have never known anybody from Monroe or anywhere else who did more for other people than Erskine Bowles' father, and I feel sure that Skipper Bowles is up there looking down very proudly at his son today.

The Skipper was nominated by the Democratic Party in 1972 to the office of Governor of North Carolina, and as Lauch Faircloth has already said, Skipper and his family were a highly respected, hard-working, enterprising, and honest bunch of folks.

I might also mention, Lauch, maybe you do not know this, but one of Skipper Bowles' brothers, John Bowles, rose to the top of the corporate ladder in America. He became chairman and CEO of Rexall Drug Company.

Senator FAIRCLOTH. His wife is here today.

Senator HELMS. And I am glad to see her. But John Bowles now sits on the boards of a number of top flight corporations.

I mention all of this to emphasize what might otherwise not have been emphasized, that the President's nominee, Erskine Bowles, has for his entire life been dedicated to the free enterprise system. Without one lapse, he has been dedicated to the small businessmen and women of America. He has been one of them, and his father and his uncles and his grandparents understood the importance of hard work and honesty and personal responsibility, and that is the reason I am so convinced that Erskine Bowles is going to do well in the job for which he has been nominated by President Clinton, and I unhesitatingly and enthusiastically commend him for this Committee's consideration.

I thank you very much.

The CHAIRMAN. Senator Helms, I thank you very much, and Senator Faircloth.

Erskine, I do not know quite what to think with these two Republican Senators coming to the hearing to speak so glowingly of you.

[Laughter.]

The CHAIRMAN. Either you are the second coming or you are a closet Republican.

[Laughter.]

Senator HELMS. Both.

[Laughter.]

The CHAIRMAN. We thank you very much, both of you, for taking the time to come over here and be with us this afternoon.

We have a very distinguished new Congressman from North Carolina, Mr. Watt. Congressman Watt, we are very honored that you could be with us and are anxious to hear your statement.

STATEMENT OF MELVIN L. WATT, U.S. REPRESENTATIVE FROM THE STATE OF NORTH CAROLINA

Mr. WATT. Thank you Mr. Chairman and members of the Committee. I am honored to be here to testify on behalf of Erskine Bowles to be Administrator of the Small Business Administration.

I guess I came in response to your last comment to give this a little balance, and we may have a little history being made here today to have such a broad array of support for Erskine Bowles, my good friend, for this position.

The SBA has a vital role in our society. It gives a boost to those small businesses which have been unable to obtain capital from private sources, including firms owned and run by individuals who have often been denied the promise and potential offered by private enterprise, many of whom historically have been minorities or disadvantaged. Small business has long been the engine behind American economic growth and often has been the best chance for young people just starting out and others who have been shut out to buy into the American society and enter the economic mainstream.

Ultimately, the SBA is responsible for helping American business create jobs consistently and equitably. With this important mission in mind, it is critical that we offer our best to oversee the SBA's functions and ensure that it achieves its goals. I believe the President is doing just that with his nomination of Erskine Bowles.

There can be no question that Erskine knows small business. His intimate knowledge of credit markets has helped many small enterprises expand beyond the limits to which they thought they were confined. His commitment to helping these firms find capital by applying the highest level of expertise to even the smallest accounts has been truly visionary. When most of the established investment firms were chasing big, high profile accounts, Erskine Bowles found success in meeting the needs of the small and mid-sized firms which yearned for the same attention paid to their larger counterparts. By providing a necessary service often denied these firms, Mr. Bowles has come to represent the best of what good business can bring to a growing community like Charlotte.

Contrary to what often passes for conventional wisdom, Erskine Bowles is particularly suited to head the SBA precisely because he is not a politician. Nor does he have any interest in becoming one. By making this appointment, the President gives you a chance to confirm someone who is an expert in the area he will be overseeing rather than an expert in political maneuvering. Erskine has worked with small and medium-sized businesses for the past 24 years, and I expect he will return to North Carolina and the business community when his term is up. But I also expect he will do so only after having earned a reputation for being one of the best and most innovative directors the SBA has ever had. I am confi-

dent Erskine will provide the leadership the SBA needs to carry out its mission, because he has been a strong leader on so many different fronts.

Erskine has many attributes that make him an ideal choice for this position. His abilities to organize where there has been discord, to create structures that work where there have been overlap and stagnation, and to focus an entire organization on its missions and key goals are extraordinary. These abilities are exactly what this country needs in order to free up credit for small businesses, get our economy moving again, and empower our people to achieve the promise of the American dream.

I am proud to be here in support of Erskine on many levels: On a geographic level because Erskine is from Charlotte, part of which is in my Congressional district in my home State of North Carolina; on a professional level because every experience I have had working with Erskine has demonstrated that innovation, attention to detail, and a firm grasp of the big picture, can lead to personal success and, more importantly, great rewards for our communities; and on a personal level because I know just how committed Erskine is to improving his community, his State, and this country through the opportunities provided by business.

Speaking personally, I have known Erskine for over 10 years. While he is an excellent businessman and administrator, I can also say without equivocation that his heart is good and honest and in the right place. That is what we need in addition to business expertise to foster the goals of the SBA, to nurture and grow and develop small businesses.

Mr. Chairman, I give my unqualified support to Erskine Bowles to be Administrator of the Small Business Administration, and I am grateful for this opportunity to recommend him to you and to the Committee and to the Nation.

I would be happy to provide any further information should that be necessary or desirable.

Thank you very much for the opportunity to address you and to appear on the left-hand side of the podium here, so that the public does not get the wrong perception.

[Laughter.]

Mr. WATT. Thank you.

The CHAIRMAN. Thank you very much, Mr. Watt. Thank you for coming over to deliver a fine statement which I know Mr. Bowles and certainly the Committee appreciate.

We have Congressman McMillan with us. You were about to get scrubbed, Congressman. You got here in the nick of time.

Mr. McMILLAN. I apologize for being late. I did not think I was going to be able to make it, Senator. I had to speak to a group across town. But I relieved them by speaking briefly, so I was able to get here.

The CHAIRMAN. Congressman McMillan, before you start and before Senator Helms leaves, you mentioned Erskine's father. When I was first elected Governor of my State, they asked me to come to North Carolina and speak at one of their big functions over there, and I met his father that night, and met him on numerous occasions after that, but did not realize that Erskine was his

son until he came to my office for a courtesy visit after the President nominated him. He was a wonderful man.

You and Senator Faircloth, if you like, may feel free to leave.

Senator HELMS. Thank you, Mr. Chairman.

The CHAIRMAN. Please proceed, Congressman McMillan.

STATEMENT OF J. ALEX McMILLAN, U.S. REPRESENTATIVE FROM THE STATE OF NORTH CAROLINA

Mr. McMILLAN. Thank you, Senator. I will be brief. But I did want to come over here as a Republican and express my strong support for the nomination of Erskine, whom I have known for a very long time. I think he is really a unique appointee for this position.

I have served on the Small Business Committee in the House in the past, and I am a business person by profession—I have been in the capital formation business, venture capital business—and Erskine has had an outstanding career in raising capital for small business and middle market companies in the United States.

He started a firm which has prospered over the years in Charlotte, the Southeast, and the Nation, called Bowles, Hollowell & Canter. He is honored in the community as a man of public spirit, as well as an exceptional businessperson. And I, for one, think that the Small Business Administration has a very challenging role to play in this country, and that is in the capital formation for small business, which is right at the heart of jobs creation and economic growth.

I am just delighted that someone of Erskine's experience and stature has the kind of commitment to be willing to come up here and do this job, and I would whole-heartedly endorse his approval by the Committee.

Thank you very much.

The CHAIRMAN. Congressman, we thank you very much for taking the time to come over here and be with us, and I know that Erskine and his family also appreciate very much your taking the time to come over and say those things about him.

Mr. McMILLAN. Thank you, Senator.

The CHAIRMAN. You gentlemen may be excused, if you would like.

Now, we will take statements from members of the Committee. Senator Kohl.

STATEMENT OF HON. HERB KOHL, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator KOHL. Thank you, Mr. Chairman.

Mr. Chairman, I am very pleased with the nomination of Erskine Bowles to head the SBA. As a businessman myself, I think it is high time that a person who has an extensive background in business takes charge of the SBA. After meeting with Mr. Bowles last month, I am confident that he is well qualified to take on the challenges that face the agency.

As Mr. Bowles is well aware, small business owners in our country have long needed a strong and effective advocate in Washington. For too many years now, there has been the perception among

many small business owners across our country that the SBA does not really address the problems of the small business community. The Federal Government hardly ever seems to be on their side. With his solid business experience and his good working relationship with the President, Mr. Bowles will be able to do a great deal to help turn this situation around.

I am also pleased that Mr. Bowles intends to go into the field and meet with SBA employees and small business owners across the country. I especially look forward to his visit to Wisconsin. When I recently met with employees at the SBA district office in Madison, I was told by one employee that it was the first time a member of Congress had visited the office during his 20 years at the SBA.

Morale at the SBA is very important, just like it is in any business or in any Government agency. I know Mr. Bowles understands this, and I know that he will work hard to address this problem. From a lifetime of experience, he clearly knows how to motivate people and how to get the job done.

More than most Government agencies, the SBA urgently needs a bold leader, and not just a caretaker. Mr. Bowles is an ideal candidate to revitalize this long-neglected agency, and I am proud to support his nomination. I wish that this nomination were being held on any other day, because back in Charlotte today I suppose that you will take second fiddle to what the Hornets did last night, Mr. Bowles.

[Laughter.]

Senator KOHL. But that is just the way life goes.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Kohl. Incidentally, I would like to say, so that other Senators, if they have any question about this, may talk to whomever they please. I have intended to try to report Mr. Bowles' nomination out today, after your questions have hopefully been satisfactorily answered. And certainly, with three of the four members of Congress being Republicans and speaking so glowingly about him, that should be satisfactory on both sides of this Committee.

But one of the reasons I would like to get him on board is not just because SBA has been leaderless too long, but because next week is Small Business Week, and there are a lot of events that are going to be happening next week.

If there is objection to it we will not do it, but as I say, I would like to get his nomination out of the Committee and onto the floor of the Senate at the earliest possible time.

Senator Coverdell.

STATEMENT OF HON. PAUL COVERDELL, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator COVERDELL. Thank you, Mr. Chairman. I essentially am going to pass the time. I do want to welcome Mr. Bowles to the Committee and his family, and I echo the thoughts we are hearing from so many. To have a business background in charge of this agency is welcome.

I will have some questions that relate to our meeting when we get to that appropriate period.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Coverdell.
Senator Bennett.

**STATEMENT OF HON. ROBERT F. BENNETT, A U.S. SENATOR
FROM THE STATE OF UTAH**

Senator BENNETT. Thank you, Mr. Chairman. I will simply echo the comments that have been made. As I have said in an earlier meeting—the members of the Committee know, but I will repeat for Mr. Bowles benefit—I am probably the only member of the Committee who has applied for an SBA loan and been turned down.

[Laughter.]

Senator BENNETT. So I understand the agency.

The CHAIRMAN. That was one of those defeated Republican Senatorial candidates, was it not?

[Laughter.]

Senator BENNETT. Yes. I understand the agency from a somewhat unusual position. But I am delighted with your background. I am delighted with your resume. But more important, based on the conversations that I have had with Mr. Bowles, Mr. Chairman, I am delighted at his enthusiasm. I hope he does not get too disillusioned with the way Washington really works, that he loses some of that. But that is the kind of excitement that I think we need in our appointees who handle these kinds of circumstances.

I am prepared, certainly, Mr. Chairman, to vote today and to vote favorably today, and would do whatever I can to expedite your desire to see that this is taken care of. I will say in advance, I have a mark-up session at 2 o'clock on a bill that is important to me, so that if I leave for that it is not in any way an expression of lack of enthusiasm for this, but simply the kinds of scheduling pressures that sometimes we fall under.

Thank you, Mr. Chairman.

[The prepared statement of Senator Bennett follows:]

PREPARED STATEMENT OF ROBERT F. BENNETT

It is a pleasure to join with the rest of my colleagues in welcoming Erskine Bowles, and I am delighted to say that I think the President has made an outstanding nomination for this position.

I was pleased to learn of your many years of business experience, and your keen understanding of the financial markets, both of which will serve you well in this new and challenging role. I believe the SBA needs aggressive and sustained leadership from persons with an extensive record in the business world. I am sure you are going to do a terrific job at SBA.

In our economy today, small business and entrepreneurship and innovation all go together, and the small businesses of our Nation are leading the way in most aspects of our economic development.

The future of Small Business is at a critical crossroads. From late 1992 through 1989, our nation experienced the longest peacetime economic expansion in its history. During that time approximately 19 million new jobs were created. The recent recession threw us off that torrid pace and we're not yet close to returning to it. There is plenty of truth in the idea that this is a "jobless recovery." We are experiencing weak job creation largely because problems have become embedded in the structure of our economy, preventing this recovery from providing normal growth. These structural problems reflect both some excesses of the past as well as some new challenges. They include:

- (1) The drive to increase productivity in order to compete in global markets.

- (2) A huge federal deficit.
- (3) An huge increase in non-production costs for companies. Such as health care, regulatory costs, legal costs and increased payroll taxes.
- (4) A shift in net job growth from big business to companies with less than 20 employees.
- (5) Scaled-back defense spending.

In reviewing the wasteful activities of the Federal Government, we can see that nothing is more important than reducing the excessive costs associated with regulations, governmental mandates and related legal expenses. If we are serious about creating jobs in the country, this massive drain on business cash flow must be reduced.

Small business faces another major inhibition in the President's plan to raise the personal income tax rates. What is often overlooked is that many business taxpayers do not pay federal income taxes at the corporate rate. Rather, they have elected to file their companies as "Subchapter S" corporations, so that they pay taxes at the owners' individual rates.

If that Small business is a "Subchapter S" corporation, and is fortunate to have gross income above the \$250,000 mark, that company will be hit with an additional 10 percent surtax. Aside from the problems this can cause with cash flow needs, you are staring at a 48 percent tax increase.

If you are an owner of a "Subchapter S" corporation, and you are staring at a 48 percent tax increase, you are not going to be able to raise the prices of your products or services by 48 percent. So, that money is going to come out of your pocket, and you are going to make up for it by postponing expansion and or hiring any additional employees. Clearly, the small business policy proposals being considered need to be modified.

It takes cash to make business investments in new jobs, plants and equipment. To this end, this is what I see as the primary function of the SBA. Its goals must be centered around cost effective job creation in an ever changing economy.

One of the key functions of the SBA has been the 7(a) general loan program. This program as been surging to record levels, more than doubling in loan volume. In fiscal year 1992 alone, the 7(a) program provided 22,459 loans and loan guarantees more than \$5.6 billion in much needed small business totaling financing. Guarantees which helped to create or retain over 359,000 jobs last year.

It is quite obvious that the recent economic downturn and the resulting credit crunch has made the SBA an increasingly popular financing alternative for the small business community. By utilizing private sector lenders to fund small business loans, the SBA is, in fact, the nation's single largest financial backer of small business in the United States.

Business ownership offers the hope and opportunity to create wealth from good ideas and hard work. I am confident that you will see yourself as an advocate for the interests of small business and not be shy in any way of speaking up either to the Congress, or to the other agencies of the Federal Government when you see other Federal policy being detrimental to the cause of small business.

The CHAIRMAN. Thank you for that very fine statement, Senator Bennett. We now have a quorum here, and knowing the penchant of this Committee to dissolve suddenly, I would suggest that we report his nomination out with this understanding, that if any Senator wishes to withdraw his vote prior to adjournment of the Senate today because of anything that develops during the hearing, he would have a right and that withdrawal would also affect the outcome of his approval.

Senator Pressler, I would yield to you to make a motion to report Mr. Bowles' nomination out.

Senator PRESSLER. All right. I move to report Erskine Bowles' nomination out.

The CHAIRMAN. The motion has been made. The chairman seconds the motion. All in favor—well, let me strike that.

Let us have a roll call vote on this. Would the clerk please call the role.

Ms. LECKY. Mr. Nunn.

[No response.]

Ms. LECKY. Mr. Levin.

Senator LEVIN. Aye.

Ms. LECKY. Mr. Harkin.

The CHAIRMAN. Aye, by proxy.

Ms. LECKY. Mr. Kerry.

[No response.]

Ms. LECKY. Mr. Lieberman.

[No response.]

Ms. LECKY. Mr. Wellstone.

Senator WELLSTONE. Aye.

Ms. LECKY. Mr. Wofford.

[No response.]

The CHAIRMAN. Mr. Kerry votes aye by proxy.

Ms. LECKY. Mr. Hefflin.

The CHAIRMAN. Aye, by proxy.

Ms. LECKY. Mr. Lautenberg.

Senator LAUTENBERG. Aye.

Ms. LECKY. Mr. Kohl.

Senator KOHL. Aye.

Ms. LECKY. Ms. Moseley-Braun.

Senator MOSELEY-BRAUN. Aye.

Ms. LECKY. Mr. Pressler.

Senator PRESSLER. Aye.

Ms. LECKY. Mr. Wallop.

[No response.]

Ms. LECKY. Mr. Bond.

[No response.]

Ms. LECKY. Mr. Burns.

Senator PRESSLER. I have a proxy for Mr. Burns voting aye.

Ms. LECKY. Mr. Mack.

Senator MACK. Aye.

Ms. LECKY. Mr. Coverdell.

Senator COVERDELL. Aye.

Ms. LECKY. Mr. Kempthorne.

Senator KEMPTHORNE. Aye.

Ms. LECKY. Mr. Bennett.

Senator BENNETT. Aye.

Ms. LECKY. Mr. Chafee.

[No response.]

Ms. LECKY. Mr. Bumpers.

The CHAIRMAN. Aye.

Ms. LECKY. The vote is 15 ayes, no nays.

The CHAIRMAN. To the members of the Committee, let me also say, first of all, the motion is agreed to under the conditions stated, and also to say that any other member of the Committee who presents himself here for a vote prior to adjournment today may also vote. And I will also say that I would like for the record to show that there is a quorum of 11 Senators present and voting.

Senator WELLSTONE. Here is Senator Lieberman.

The CHAIRMAN. 12, and Senator Lieberman votes aye.

[Laughter.]

Senator WELLSTONE. Mr. Chairman, Senator Lieberman was waiting to see how the vote went.

[Laughter.]

The CHAIRMAN. That is just one of the perks of being chairman.
 Senator LIEBERMAN. That is all right.
 The CHAIRMAN. Senator Wellstone.

STATEMENT OF HON. PAUL WELLSTONE, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator WELLSTONE. Well thank you, Mr. Chairman. I would like to say to Mr. Bowles, I am delighted that we passed your confirmation and really look forward to working with you.

I am not going to go into any issues in great detail today, just to tell you that I am a strong advocate of the guaranteed loan program, the 7a program. I think it has worked well and I think we have to work very hard to make sure that it has the support that it deserves. The Microloan program is heart and soul to me. I just love what I have seen in the State of Minnesota. The SBIR and the Economic Development Centers are all, I think, programs that are out there in the community.

The two points that I would like to raise, Mr. Chairman—and I will very briefly, because I know other Senators want to speak—are, first of all, Mr. Bowles, I am really proud of being able to be the chair of a subcommittee of this Committee on family farming and rural economy. I would very much like to be working closely with you in relation to small business programs as it affects rural America. There are other members of this Committee who are on that subcommittee. I think we might do some interagency coordination with Secretary Espy, who is also very interested in rural economic development, and I am hoping that we really can have that kind of focus.

The other thing that I just wanted to mention to you is that I am convinced that clean technologies is going to be a huge growth industry in this country. I think it is the right thing to do, and I think this Committee can play a real role in helping to develop that, and I would like to work with you in that area as well.

Finally—I do not mean this to be a shrill partisan point. I mean it much more to be in the positive about you and not in the negative about anybody else. But I think it has really been a long time since we have had someone of your caliber in this position of leadership.

Small business people and small businesses are like family farmers: everyone loves them in the abstract. They keep hearing about how we all love them, Democrats and Republicans alike, but they do not see the real serious commitment. I think that this Committee today, by this vote, has shown that we have a serious commitment because we have nominated someone who I think has real leadership ability.

I thank you.

[The prepared statement of Senator Wellstone follows:]

PREPARED STATEMENT OF SENATOR PAUL DAVID WELLSTONE

Mr. CHAIRMAN. I would like to welcome Mr. Bowles here today and also to thank him for coming by to see me at the end of March. I have to say that I am thrilled that the President has nominated a candidate for the position of SBA Administrator who is so well qualified.

Today I simply would like to note that it will be a great pleasure to work with an Administrator with so much direct knowledge and expertise in the area of small business. This, as has been noted, is a significant departure from recent practice in the agency, and I greatly look forward to changes that can make the Small Business Administration a more energetic and effective champion of our country's small firms.

Mr. Bowles, we will have plenty of occasion to discuss several specific issues once you have established yourself in office. Therefore I would prefer today just to mention two issues where I might suggest heightened attention and an exploration of whether the agency might be doing more—either through a concentration of resources within the agency that could be achieved administratively, or through consideration of specific legislation.

First, though, I am a supporter of SBA's basic programs: the 7a loan guarantee program, the Microloan program, SBIR, and Small Business Development Centers. And I want to stress today the importance of advocating within the Administration for adequate funding for the 7(a) program, which, as you know, received very positive reports just last year as a result of a major study.

The two issues I would like to highlight are rural America and the environment. As the new Chair of this Committee's Subcommittee on Rural Economy and Family Farming, I plan to examine the state of rural America and what the Federal Government can do to improve people's lives there. At a minimum, I believe we need to ensure that existing federal programs that serve small businesses—the 7(a) loan guarantee program and the new Microloan program, for example—adequately serve rural small businesses. Further, I would like us to explore possible cooperation with Secretary Espy's USDA in the area of rural economic development.

I know that there is some cooperation already, through at least one interagency task force. But I believe that if we are "reinventing government," we should pay particularly close attention to policy areas where expertise and resources can be effectively pooled. The provision of credit in rural America is especially important, and I think we may want to explore whether we are doing all that we can through our current programs to ensure that they are reaching rural small enterprises.

Similarly, I wonder if we might look at the types of service and information that we provide at SBA to make sure it pays attention to the need for businesses to move toward more environmentally sound practices, as well as to the great opportunities offered in the area of clean, or "green," technologies. Here, as well, there may be a chance to cooperate with others in government, for example, at EPA.

I am sure that we will be able to talk soon about these issues. Again, thank you for coming here today, and thank you for your willingness to serve.

The CHAIRMAN. I goofed a moment ago. I should have deferred to my distinguished Ranking Member, Senator Pressler.

Senator LAUTENBERG. Mr. Chairman, why do we not have Mr. Bowles at the table? Is there something about him that we do not want up here?

[Laughter.]

The CHAIRMAN. He only speaks when spoken to, and I have not spoken to him yet.

[Laughter.]

Senator LAUTENBERG. Just wait until your confirmation, Mr. Bowles.

STATEMENT OF HON. LARRY PRESSLER, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator PRESSLER. I shall be very brief. In addition to what has been said, I am very interested in small business and new technology and financing that technology. We have a bill over in the Commerce Committee, S.4, regarding technology, and I feel very strongly that one of Mr. Bowles first controversies will be where that technology funding is going to be handled.

The financing of that is complicated. Scientists or entrepreneurs often believe they have a product or technology that is a certain success in the market, but they cannot afford the research needed.

It is my strongest feeling that the Small Business Administration's SBIC program is a proper place to help small businesses with new technology.

I asked Secretary of Commerce Ron Brown about the specifics of a critical technology investment company program. In a written response he said attempts to channel funding to smaller high-tech companies needing less than \$2 million and maybe years away from payoff, is what defines small businesses.

But SBA is going to have a big role to play in technology. The concept of a small business investment company financing program run by SBA devoted solely to advance critical civilian technology transactions and businesses is something that we have to deal with. As we compete with the Japanese and the Europeans, most of our new technology will come from small businesses. I think some of our bigger businesses are better able to handle it themselves, but we have to find a way to work with those small businesses in the technology area.

I will be asking you some questions about that, but I think that will be one of your first controversies that you will be involved in, and I wish you well.

The CHAIRMAN. Senator Nunn, before we proceed with statements, would you like to be recorded on this?

STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator NUNN. Yes, I would like to be recorded in the affirmative, Mr. Chairman. I would also submit my statement for the record, my entire statement. I have had a chance to visit with our nominee and I think he is an outstanding nominee. I think he has tremendous experience and I am delighted he is going to be on board.

[The prepared statement of Senator Nunn follows:]

PREPARED STATEMENT OF SENATOR SAM NUNN

Mr. Chairman, I, too, want to extend my very warm welcome to Erskine Bowles and his fine family.

President Clinton has sent to this Committee a truly outstanding nominee to be Administrator of the Small Business Administration. Erskine Bowles has already demonstrated his capabilities in the world of business. The investment banking company which he founded 18 years ago has specialized in meeting the capital needs of small and medium-sized business. Unlike any Administrator in recent memory, Erskine Bowles has practical business experience with SBAs development and loan programs. He is now prepared to leave his business, foregoing substantial individual financial gain, to bring his demonstrated skills to public service.

A person with demonstrated capabilities in business finance couldn't come to SBA at a more critic. Demand for SBA guaranteed financing is at an all time high. The SBA Guaranteed Loan Program, the 7(a) Loan Program, has already exhausted its available funding. Yet, across the Nation small business owners tell us that they have "ready to go" projects that have passed muster with their private sector bankers. If past experience is any indicator, these SBA-backed loans will create thousands of solid, long-term, private sector jobs.

And we get this proven economic stimulus with a minimum pledge of federal backing. OMB requires that Congress appropriate only a little more than a nickel for each dollar to be loaned through the SBAs 7(a) Guaranteed Loan Program, a whopping 20 to 1 leveraging. And those appropriations are transferred to an separate loss reserve fund in the Treasury. The monies appropriated to back-up the 7(a) Loan Guarantee Program are not outlays, not current additions to the deficit, since they are still in the Treasury earning interest.

This is but one of the tough issues that Erskine Bowles will have to tackle, when he is confirmed as Administrator of the Small Business Administration, as I am confident he will be.

The nominee also has substantial experience in providing his private sector clients with sound advice in restructuring their operations to improve effectiveness and efficiency. These skills, too, will benefit the Small Business Administration, and the small business community which it serves. The SBA has been given a broad array business assistance responsibilities by Congress and by past Presidents. This broad array of programs, and the separate offices that administer them, could stand a thorough and thoughtful review. Unquestionably, they could benefit from better internal coordination. The more that SBAs various programs can be made to work in concert, the more they will better serve the small business community.

Similarly, partnerships with the private sector or other levels of government should not be looked upon as a threat by SBA staff, but rather as "force multipliers", as we would call them at the Armed Services Committee. Two programs, which I sponsored here in the Senate, come to mind. The Small Business Development Center Program is, to me, a premier example of how Federal financial support, with minimal Federal regulation, has made possible what is now a national network of business assistance centers, based at institutions of higher education, that have effectively tailored their services to meet the needs of their clients.

The other is the Mentor-Protege Program, begun within the Department of Defense. This program seeks to foster long-term business development assistance relationships between established Government contractors and emerging disadvantaged small business concerns.

Unfortunately, your management skills will be sorely tested by some SBA programs. The Minority Small Business and Capital Ownership Development Program, more commonly referred to as the Section 8(a) Program, comes immediately to mind. In 1988, after three long years of bipartisan effort, the Congress passed comprehensive legislation to make the 8(a) Program a comprehensive business development program increasing the participants prospects for long-term business success after graduation, rather than a program focused on providing temporary access to sole source contracts. We are still waiting for the full implementation of those reforms. Hopefully, in the months ahead you will have the program staff focus on the issuance of necessary regulations and the full implementation of existing legislative mandates, before expending any further effort on advancing their own legislative package.

During our conversation, you made two fundamental points that auger well for your prospects for success as SBA Administrator. First, you expressed confidence that you could count on President Clinton's support to be "at the table" as the advocate for small business when Administration policy is being formulated. Second, you expressed your intention to solicit the ideas and concerns of the small business community before finalizing your agenda for revitalizing the SBA. Both are very encouraging.

We also discussed the role that you can play in addressing the persistent problem of restraining the growth of federal paperwork and regulatory burdens on businesses, small as well as large, state and local governments, educational institutions, and individual citizens. Many members of this Committee, on a bipartisan basis, are supporting S.560, the "Paperwork Reduction Act of 1993", to strengthen the existing 1980 Paperwork Reduction Act. Our bill has very strong support within the business community, and especially the small business community. We need the support of the President and his new team at OMB. I would hope that you would lend your voice to our cause.

In your discussions with the President and his senior advisors, I would also urge you to press for the nomination of an equally well-qualified candidate for the position of Chief Counsel for Advocacy at the SBA. That position was also designed to be a restraint on Executive agencies, using the authorities of the Regulatory Flexibility Act.

Again, I look forward to being able to work with you as Administrator of the Small Business Administration.

The CHAIRMAN. Senator Nunn and I just got back from Yugoslavia and Russia at about midnight last night, and I was hoping he would stay so that if I fell asleep he could take over, and if he fell asleep, I would do so.

Senator LAUTENBERG. Mr. Chairman, may I also ask unanimous consent to submit my questions for the record.

The CHAIRMAN. Unanimous consent is granted to anybody who wishes to submit a statement for the record rather than delivering it orally.

[Laughter.]

The CHAIRMAN. Thank you, Senator Lautenberg.
Senator Moseley-Braun.

STATEMENT OF HON. CAROL MOSELEY-BRAUN, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator MOSELEY-BRAUN. Thank you, Mr. Chairman. I too would like to submit my written statement for the record. Without reading it or going into detail, I have to say I do not know Mr. Bowles personally, but I have had an opportunity to meet with him in my office. We discussed the issue of streamlining the bureaucracy and making the SBA work better, making it more efficient, making it do its job better.

I came away from that meeting convinced that this gentleman had the capacity and the understanding of the real world sufficiently to make the SBA not turn down Mr. Bennett, for example, if he came in the door looking for a small business loan.

Senator BENNETT. Well, the SBA acted very responsibly.

Senator MOSELEY-BRAUN. Oh, they did, all right.

[Laughter.]

Senator MOSELEY-BRAUN. In your case. But particularly with regard to issues having to do with promoting small businesses, giving us the opportunity to support that sector of our economy that creates jobs on the front line. Without giving the Chairman's speech, you often make reference, Mr. Chairman to the fact that small businesses create 80 to 85 percent of the new jobs in this country. We really need to have someone who is a real professional with hands-on understanding of what it takes to grow a business, of what it takes to interface with an agency that is supposed to be helpful.

I welcome Mr. Bowles, and, again, his family—this is no doubt going to be an exciting time for all of you. I am looking forward to working with him on streamlining the SBA so that we can make it the most efficient agency that it can be, so that our work here on the Hill finds itself translated effectively by this agency in creating new jobs in the private sector.

So, again, welcome aboard.

[The prepared statement of Senator Moseley-Braun follows:]

PREPARED STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Mr. Chairman, today the Committee considers the nomination of Erskine Bowles to be the Administrator of the Small Business Administration. The position Mr. Bowles is being considered for is an important one. As head of the Small Business Administration, he will oversee an agency responsible for assisting, counseling, and protecting the interests of small businesses.

His nomination comes at a crucial time. In the United States, small businesses create 80 to 85 percent of the new jobs in this country. Between 1988 and 1990 alone, businesses with less than 20 employees created more than four million new jobs. The continued prosperity of this country depends, on a large part, on the continued growth of these small businesses.

Small business owners face numerous problems, including: access to working capital for startup and growth, regulatory burdens, and access to trade opportunities.

Small business owners also need meaningful business development assistance in order to take advantage of the loans that are available to them.

The Small Business Administration has a number of tools to assist small business owners in overcoming the numerous obstacles that they face. We need to be sure that the Small Business Administration is using those tools efficiently and effectively.

In the past, the SBA has been criticized for not fulfilling its mandate. It's support of small business and, especially minority businesses, has been called ineffective. With a new Administration and Mr. Bowles at the helm of the SBA, I believe this will change. He comes highly recommended and is strongly supported by the small business community.

Mr. Bowles brings real and extensive experience assisting small businesses to the SBA. He has worked hard to serve the small business community and this is where his success lies. While many others have been uninterested in the business potential of small businesses, his company, Bowles Hollowell Conner & Company, has sought them out, provided the necessary technical and financial assistance, and helped them to grow. It is this kind of commitment that is needed at the SBA.

Great challenges face small businesses and the Small Business Administration. I believe Mr. Bowles is ready to lead them to meet those challenges. I look forward to working with Mr. Bowles and the Administration on issues of concern to the small business community.

The CHAIRMAN. Thank you, Senator Moseley-Braun.
Senator Kempthorne.

STATEMENT OF HON. DIRK KEMPTHORNE, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator KEMPTHORNE. Mr. Chairman, thank you very much. Mr. Bowles, congratulations. And, Erskine, I appreciate the courtesy that you showed in coming and visiting the members of the Committee.

The thing that struck me as we met in my office was your enthusiasm and your excitement as you tackle this job. I think there is an excitement on this Committee in realizing that as you now undertake this Government position, you are going to address it as a businessman. That is exactly what we need. I sense that you may be a bit unorthodox in your approach. Hallelujah. We want to have creative solutions.

I know in the State of Idaho we have over 25,000 business establishments, of which 94.4 percent are small businesses. They need to have friends in Government so that that partnership can be intact. So, Erskine, I commend you and ask you to continue that enthusiasm. If you ever need somebody to get together and keep the sparks going, please join again with this effort.

I would like to commend the family. You have a beautiful family. And I would say to your children—I have children the same age—you have a responsibility to make sure that Dad does not get so caught up in his duties that he is not still a terrific father. So make sure that those outings continue because none of this works if the family unit is not intact.

So, thank you.

The CHAIRMAN. Senator Mack.

STATEMENT OF CONNIE MACK, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator MACK. Thank you, Mr. Chairman. I too want to extend my welcome both to you and to your family. I have had an opportunity to review your record, and I think it is an excellent one. Your

background in investment, investment capital, venture capital, is an extremely important one to small business.

I have received a tremendous number of letters from constituents in the State of Florida who I would say have made two very vivid points. One is their tremendous support for your nomination, but secondly they are concerned about the President's economic plan.

Frankly, I think that is going to put you in kind of a conflict. I am thinking particularly on the health insurance issue. As we hear discussions about the health insurance plan, we hear about mandates on business. I think your own experience would indicate the difficulty that that is going to place on many small businesses around America. It is just one more additional burden that is going to make it difficult for small businesses throughout our country to maintain employment, let alone create the jobs that the President and the Congress want to see developed.

So I say, in a sense, you are going to be in a position where many people around the country, small business owners and employees, are going to be looking to you as their voice, hoping that you will take a cabinet member aside or an agency head aside and say, you know, what you are talking about, while it is well intended, is going to have a negative effect on the small business of America. They are going to be looking to you to be that voice.

I sense from what I have heard others say about you and what I have read about your background that you are exactly that kind of person that is going to stand up for small business. So I enthusiastically endorse your nomination and that is why I supported the nomination when the vote occurred, and I look forward to voting for you on the floor. But we will be looking for you to be that advocate for small business.

Thank you, Mr. Chairman.

[The prepared statement of Senator Mack follows:]

PREPARED STATEMENT OF SENATOR CONNIE MACK

Mr. Bowles, let me join my colleagues in welcoming you to the Senate Committee on Small Business. I've had the opportunity to review your qualifications, and I am pleased with your experience as a small business owner and as an investment banker. Your knowledge of raising investment capital and venture capital for small and medium sized businesses will be of significant benefit to you, as well as to small business owners, as you assume this new challenge. The correspondence I have received from small business owners in Florida regarding your nomination has been highly favorable.

But let me be clear that the opposite opinion holds true from small business owners in Florida who have contacted me about President Clinton's economic policies.

Their message to me has been loud and strong: the tax and spend policies which the President has proposed will hurt small businesses. Small business owners are already drowning in a sea of red tape, regulation, bureaucracy, and paperwork.

They believe the President's proposed "plan for change" will not change any of these burdens. They are growing more concerned about the lack of available credit, especially for minority small business owners. Banks aren't lending, and loan officers tell me that the SBA paperwork requirements for loans aren't worth the trouble. It is becoming more difficult for small business owners to provide health insurance for their employees. They don't want the Federal government to mandate the type of health care coverage they will provide to employees. These are a few of the areas I want to discuss with you today. I want to hear your ideas about how we are going to address these problems.

Mr. Bowles, small business owners are looking to you to be their advocate within the Administration. This may mean taking a cabinet member or agency administrator aside and saying, "this policy will only hurt small businesses across America. I cannot accept this, and we must find an alternative."

This hands-on approach is what small business owners need and, quite frankly, it's what they expect out of the Administrator of the SBA. I would like to discuss what role you will take as Administrator of SBA to advocate on behalf of the owners and employees of small businesses within the Clinton administration.

Your background indicates that you are capable of developing innovative solutions to today's small business challenges. With small businesses providing 8 out of every 10 jobs in the United States, you will have a direct influence on the growth of our nation's economy. I look forward to hearing your testimony today and working closely with you in the future.

The CHAIRMAN. Thank you very much, Senator Mack.
Senator Lieberman.

STATEMENT OF JOSEPH I. LIEBERMAN, A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator LIEBERMAN. Thank you, Mr. Chairman. Very briefly—I too have a statement which I would like to enter into the record—I would like to welcome Mr. Bowles. I had the privilege to meet him and am very impressed with his credentials. I know that he shares the President's desire to reinvent Government by having a strong desire to reinvent the SBA, and now is the time.

I can tell you in my own State of Connecticut where we have lost 200,000 jobs since the recession began in February of 1989, we know a lot of those jobs are not coming back, they were the result of downsizing of larger corporations. If those people are going to be reemployed, it is going to be in small businesses or start-up small businesses.

As Senator Mack said, I hope and I am confident that you will see this position not just as the administrator of the SBA, but as a position from which to advocate across our Government the needs and opportunities of America's small business community. Because that is really where our hope is to restore the jobs that we have lost and to create the new jobs that we need.

In that regard, I think whatever role you can play to try to break the credit crunch which still affects small businesses in my State, and I presume throughout the country, will be a tremendous service. Most immediately, I think whatever you can do to make sure that the 7(a) loan program receives the additional injection of capital that it needs, because it has run out now, will be of immediate help to small businesses.

As I learned from the SBA office, in the State of Connecticut, we are 46 percent in loan applications ahead of where we were last year at this time, which is a reflection of the continuing credit crunch and the importance of this program as what might be called a financial safety net for the small business community. I hope that you can play an advocacy role in rescuing that part of the job stimulus package that failed.

You are extremely well qualified. I know you have the President's confidence, and it is obvious today that you have the confidence of the Committee.

Thank you.

The CHAIRMAN. Thank you very much, Senator Lieberman.
Senator Bond.

**STATEMENT OF CHRISTOPHER S. BOND, A U.S. SENATOR FROM
THE STATE OF MISSOURI**

Senator BOND. Thank you very much, Mr. Chairman. I apologize for being late today, but I am delighted that we have this nominee before us. Mr. Bowles and I have had the opportunity to talk. He gave me some references in Missouri and one of them has come back with a very positive recommendation. Mr. Shapiro has very high regard for you.

It is going to be my pleasure to vote for your nomination and, Mr. Chairman, if I could be recorded as voting in favor of the nomination.

The CHAIRMAN. The clerk will so record.

Senator BOND. With the hope that the other reference does not come back as a negative.

[Laughter.]

Senator BOND. I also am doing so in advance of submitting to you some questions which I hope you will consider very carefully, because we get another crack at you on the floor. And I have some questions that I think are very important to small businesses throughout our country.

Several of my colleagues have already mentioned the importance of small business. The Small Business Administration now estimates that more than half of the private sector work force is employed by small business, and small businesses are facing many many problems. Some of those you will be able to deal with directly in the Small Business Administration, and I think you will be very effective in organizing and leading that.

But as has also been said by some of my colleagues, as I talk to small businesses throughout my State, darn few of them are asking what Government can do for them. Most of them are saying how can you stop what Government is doing to me. As I recall our discussions, you spoke very clearly about the need to be an advocate, to be a voice for small business.

I certainly hope that you will be included in the councils of the economic advisors in the Government, because heaven knows they need somebody who has practical business experience. I think to the extent that you are able to point out to them things like the cost of mandating the payment of health-care benefits on businesses which could not afford to provide health insurance, the cost of environmental and other regulations, the likely impact of a btu tax and significant taxes on small business, I think you could provide perhaps the greatest service as the leader of the SBA in championing the cause of small business generally.

From our discussions, it is clear to me that you fully understand and appreciate those, and I would only encourage you as a loyal member of the administration team, to remember who brought you here and how you got here, and that we in the Congress and small business owners and employees throughout this country are looking for somebody to stand up for small business.

Because I see at this time—and it is not just this administration, it has been past administrations and most of all it has been Congress. When they look around for somebody to do good, they always think that small business can go forward and do a lot of good. As a

result, many small business owners and a lot of small business employees are wondering whether the businesses are going to survive and their jobs are going to survive with the heavy foot of Government on their necks.

So I hope that you will take that commitment very seriously and that you will continue to be an effective, articulate voice for the concerns of small business, as you and I discussed and as I heard you express so eloquently.

Mr. Chairman, I am pleased that we have a person of this caliber who has been nominated for a very important post.

[The prepared statement of Senator Bond follows:]

PREPARED STATEMENT OF SENATOR CHRISTOPHER S. BOND

Mr. Chairman, thank you for holding this hearing today. I also would like to congratulate the witness on his nomination by the President as Administrator of the Small Business Administration.

According to the U.S. Small Business Administration, small business is now creating all net new jobs. Small businesses employ more than half of the private sector workforce and produce 50 percent of the gross private product. In addition, they provide entrepreneurial opportunities to thousands of women and minorities.

Faced with increasing taxes, the growing expense of providing health insurance for employees, increased government regulation and a volatile economy, small businesses need support from Congress and the Administration.

The Administrator of the Small Business Administration must be willing to devote tremendous energy to foster growth in the small business sector and to help facilitate the development of policy in Congress and the Administration which will assist small business.

I look forward to the nominee's responses to our questions. Thank you.

The CHAIRMAN. Thank you, Senator Bond. By this time, Mr. Bowles, you may feel that you have been nominated for sainthood here this afternoon.

[Laughter.]

The CHAIRMAN. I do not know that we have ever had so many glowing reports from such a broad cross section of people, and it certainly is a great tribute to you.

Why do you not, in taking your seat at the table, also take that opportunity to introduce the members of your family to the Committee, if you would.

[The prepared statements of Senators Levin, Wofford, Heflin, Chafee and Burns are followed by the information referred to:]

PREPARED STATEMENT OF SENATOR LEVIN

It is a pleasure to welcome you today Mr. Bowles. Yours is a refreshing nomination because you are truly reflective of the constituency will represent—small business. I understand that all of your experience is in business. This should give you an important advantage in understanding the needs and problems of small business.

In your own investment banking business you have been the champion of small businesses, some in own some state of Michigan. I would like to share with the committee a letter of support for Mr. Bowles' nomination from the Chairman Emeritus of the Kellogg Company, William LaMothe. He writes:

"I understand that Erskine Bowles has been nominated by President Clinton to be the next administrator of the Small Business Administration. During the mid-80s I was serving on the board of the Battle Creek Gas Company and we needed some help regarding the long-term strategy for this small utility. I asked our friends at Goldman Sachs whether or not they could help us; they felt the company was too small for them to handle, but recommended Mr. Bowles' company in Charlotte, NC.

Mr. Bowles and his associates came to Battle Creek and really did a superb job not only in helping us think through a strategy, but then helping us execute it. All this was done with a group of excellent professional and at a cost that we felt was fair and reasonable for a small-sized company. I know that Mr. Bowles' company has continued to concentrate their efforts in helping small businesses, and I think his experience and track record would make him an excellent administrator of the SBA."

As Administrator of the U.S. Small Business Administration you will have the important role of chief advocate for small business concerns on issues ranging from health care to the availability of credit. Based on recommendations like Mr. LaMothe, I am confident you will be a strong and fair advocate for small business making sure their views are voiced to the President.

I look forward to your statement and I look forward to an invigorated Small Business Administration under your leadership.

LETTER FROM WILLIAM E. LAMOTHE TO SENATOR LEVIN

Dear Senator LEVIN: I understand that Erskine B. Bowles has been nominated by President Clinton to be the next Administrator of the Small Business Administration. During the mid-80s I was serving on the board of the Battle Creek Gas Company and we needed some help regarding the long-term strategy for this small utility. I asked our friends at Goldman Sachs whether or not they could help us; they felt the company was too small for them to handle, but recommended Mr. Bowles' company in Charlotte, NC.

Mr. Bowles and his associates came to Battle Creek and really did a superb job, not only in helping us think through a strategy, but then helping us execute it. All this was done with a group of excellent professionals and at a cost that we felt was fair and reasonable for a small-size company. I know that Mr. Bowles' company has continued to concentrate their efforts in helping small businesses, and I think his experience and track record would make him an excellent administrator of the SBA.

Sincerely,

W. E. LAMOTHE,
Chairman Emeritus.

PS—Many thanks for the tremendous help you've been giving us on the Federal Center.

PREPARED STATEMENT OF SENATOR HARRIS WOFFORD

WOFFORD PRAISES CHOICE OF BUSINESSMAN TO HEAD SBA

Washington (May 6)—U.S. Senator Harris Wofford today issued the following statement on the confirmation of Erskine B. Bowles to be Administrator of the Small Business Administration. Senator Wofford is a member of the Senate Small Business Committee and Chairman of its Subcommittee on Export Expansion and Agricultural Development.

I am glad that President Clinton nominated Erskine Bowles to be Administrator of the Small Business Administration.

The SBA has suffered for too long without a person with real business experience at its helm. Under prior Administrations, the SBA became a resting ground for losing politicians. And the true victims were small businesses in Pennsylvania and around the country who need professional, experienced leadership at the agency charged with serving them.

Erskine Bowles is a successful businessman in his own right and he has made a career out of helping others succeed, as well. That's why I strongly support his nomination and look forward to working with him to improve SBA's effectiveness.

Often the best thing the federal government can do for small business is to get out of the way. But in some circumstances, the Federal Government needs to give a helping hand. For example, the Federal Government should help ensure that small business has access to reasonably priced credit and capital. The Federal Government also has a role in making market information, management assistance and counseling widely available. And the Federal Government should be stimulating entrepreneurship, especially among minorities and women.

The SBA is designed to give this helping hand. But too often it simply hasn't done the job. It hasn't served its clients and delivered the goods the way any business must do if it expects to stay in business.

As Chairman of the Export Expansion Subcommittee, I am particularly concerned about the effectiveness of SBA's programs to encourage U.S. companies to sell goods and services abroad. A recent GAO report concluded that SBA has not "widely used its principal finance program" and "has not consistently emphasized export promotion." The international marketplace holds promise for small business. I look forward to working with Mr. Bowles on helping small businesses to look beyond our shores for new markets and new opportunities.

I have also heard from many Pennsylvanians that the Minority Small Business and Capital Ownership Development Program is not working as well as it could be. Known as the 8(a) program, it is supposed to promote greater access to the free enterprise system for "socially and economically disadvantaged" individuals, especially for minorities and women who too often have been forced to overcome high barriers to start and maintain their own firms. But it needs work, and I hope to work with Mr. Bowles on improving this effort in the months ahead.

Finally, I am concerned that SBA programs were designated as "high risk" in the most recent Report of the Inspector General. This means that not only are small businesses not being well served. It also means that taxpayer dollars are at risk. After a dozen years when our national debt quadrupled, we cannot afford ineffective or inefficient programs that don't deliver value for the taxpayer's dollar. We have to make public investments that will pay real dividends in new jobs, higher productivity and increased profits. That's our business in government, and we must do it better. Taxpayers demand it and the small business community needs it. So I know Mr. Bowles will accept the challenge of getting these programs off the "high risk" list and moving them onto our own high value list.

I welcome Erskine Bowles' nomination and I look forward to working with him.

PREPARED STATEMENT OF SENATOR HOWELL HEFLIN

Thank you Mr. Chairman. It is not often that a designee fits the designated post as well as Mr. Bowles fits the post to which he has been nominated. The Small Business Administration is, or should be, about helping small businesses prosper. Who better to run such an administration than an individual who has started his own business. Who better to run such an administration than an individual whose business concentrates on helping small- and medium-sized businesses attain financing. Who better to run such an administration than an individual who has worked with minorities trying to secure that ever elusive capital in order to turn a dream into a business. Mr. Bowles has done these things.

I am very concerned that we, as a Government, all too often stifle small business, many times unknowingly. Mr. Bowles approaches this job with fresh ideas and a fresh perspective. He has earned his living by helping small- and medium-sized businesses raise investment and venture capital. He knows the current pressures and challenges small businesses face. I think these real life experiences are what the Small Business Administration needs. His experience placed in the position of Administrator can help our Government work with rather than against small business.

I am hopeful that Mr. Bowles will not only run an efficient Small Business Administration, but that he will also keep Congress up to date on what he is hearing from the small business person. That small business person is the individual that I, and I know the other Members of this Committee are concerned with helping. That is the individual who drives this Nation; and that is the individual for whom we are all here today.

Mr. Bowles is not just a Capitol Hill veteran looking for a job. He appears, to this Senator, to be a man seeking to serve his country. Mr. Chairman, I applaud the President's nomination of Mr. Bowles and and I look forward to an efficient and productive Small Business Administration.

PREPARED STATEMENT OF SENATOR JOHN H. CHAFEE

Mr. Chairman, I plan to support the nomination of Mr. Erskine Bowles to be Administrator of the United States Small Business Administration (SBA). After meeting with Mr. Bowles, after hearing from Rhode Islanders who support the nominee, and after reading letters of endorsement and newspaper articles about Mr. Bowles—including Tuesday's Wall Street Journal article—I believe that Erskine Bowles is the right person for the job.

Mr. Bowles has an impressive business education. He earned his undergraduate degree at the University of North Carolina at Chapel Hill, and an MBA at Columbia University. His professional achievements are equally impressive. A former in-

vestment banker at Morgan Stanley & Co. in New York, Mr. Bowles returned to his roots in North Carolina in 1973 to found Bowles Hollowell Conner & Co., now a leading investment house concentrating in small business finance.

Mr. Bowles has been working directly with small businesses for more than 20 years. He knows the needs of small businesses, because he started and operated his own company. He knows the capital needs, and the problems of attracting start-up financing. Letters that I have read from his clients in North Carolina also indicate that Mr. Bowles has a particular sensitivity to the problems confronting women and minority entrepreneurs who want to start a small business.

Small businesses in this Nation, as everyone knows, are having trouble these days. Perhaps the biggest problem confronting the small business community in Rhode Island is the lack of available capital. As Mr. Bowles well knows, capital is the lifeblood of small businesses. Capital allows businesses to purchase new equipment, to expand, and—most important—to hire new workers. Unless we can end this credit crunch, it will be impossible for small businesses to create the jobs necessary to sustain our fragile economic recovery.

I hope that SBA will pay close attention to the remarks that President Clinton made on March 10 about the problems small businesses are having with banks and other lenders. Banking regulators are working to ease the burdens on lenders that are discouraging banks from making loans to small businesses, and I hope that the SBA will work with the Treasury Department to ensure that creditworthy small business borrowers are able to get the financing they need. I believe more needs to be done, and I am working with the Chairman, Senator Bumpers, to craft legislation that will reverse the overregulation on small banks that is actually discouraging lending to small businesses.

The SBA will be faced with some difficult choices in the coming months and years as budget realities force the agency to accomplish more with less money. I hope that Mr. Bowles and his deputies will remember the importance of the business development mission of the SBA. The Small Business Development Centers in Rhode Island have provided invaluable services to the state in the form of counselling, improving business plans, and helping businesses cope with a weak regional economy. The Service Corps of Retired Executives (SCORE) program also makes an important contribution to hundreds of Rhode Island small businesses each year.

In conclusion, Mr. Bowles, I want to let you know that despite the problems you may encounter as head of SBA, there are many good people who will be working with you. In Rhode Island, the small business team that has been assembled by State director Joe Loddo is doing a great job. An April 5 editorial in the *Providence Business News*, the State's weekly business newspaper, praised the work taking place at the SBA office in Providence:

"There are fewer good stories in the Rhode Island business community today than the revival of the Small Business Administration office. District Director Joseph Loddo and his deputy, Mark Hayward, deserve the highest commendations for their ability to help loosen the local credit crunch and assist the growth of hundreds of small companies."

I hope that State offices in other State's are equally responsive to the needs of the small business community.

I thank the Chair. And I look forward to the confirmation of Mr. Bowles to be SBA Administrator.

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Mr. Chairman, I want to thank you for promptly holding this confirmation hearing for Mr. Erskine Bowles. I have had the opportunity to visit with Mr. Bowles and I feel confident that his private sector business experience combined with the level of common sense that he demonstrated during our meeting will serve small businesses well in this country.

In Montana, 98 percent of our businesses are considered small businesses. In fact, the amount of loans to woman-owned businesses in Montana has doubled in the first 6 months of fiscal year 1993, compared with the same period last year.

Sixty-eight women business owners received SBA loans of which SBAs share was over 8 million dollars during the months of October 1992 and March 1993. This compares the 3 million dollars plus approved for 29 women owned businesses during the same period 1 year earlier.

Mr. Chairman, this is just one example of the increased demand for SBA services in my home State of Montana.

As you can see, the director of SBA is of great concern to me. My friends in Montana that own and operate small businesses as well as our bankers have great concerns about the restrictions and regulations that guard the dispensation of SBA loans. As I see it the money is not doing anyone any good being held in the bank for the perfect borrower.

I would hope that along with the mound of other needs that Mr. Bowles will be facing the he will work with the President, the Senate and the House to create a more free flowing loan service program. Mind you this is not an appeal for a new program—just a commitment to allow the existing loan programs to work more freely.

I would like to submit my statement for the record and will follow up with some questions when appropriate.

Thank you Mr. Chairman.

[A copy of the financial disclosure report filed by Erskine Bowles.]



United States

Office of Government Ethics1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

April 30, 1993

The Honorable Dale L. Bumpers
Chairman
Committee on Small Business
United States Senate
Washington, DC 20510-6225

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Erskine B. Bowles, who has been nominated by President Clinton to be the Administrator of the Small Business Administration.

We have reviewed the report and have also obtained advice from the Small Business Administration concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter from the ethics official of the agency, dated April 28, 1993, which discusses Mr. Bowles' ethics agreements with respect to resignations, recusals, divestitures, waiver and certain other matters.

Based thereon, we believe that Mr. Bowles will be in compliance with the applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in dark ink that reads "Stephen D. Potts". To the right of the signature is a small, stylized monogram or initials "dec".

Stephen D. Potts
Director

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Teckler
F. 12

APR 28 1993

Mr. Stephen D. Potts
Director
Office of Government Ethics
1201 New York Avenue, N.W.
Suite 500
Washington, DC 20005-3917

Dear Mr. Potts:

Pursuant to § 2634.201(c)(1) of the Office of Government Ethics Regulations (5 C.F.R. § 2634.201(c)(1)), I am submitting herewith as the Designated Agency Ethics Official for the Small Business Administration (SBA) under the Ethics in Government Act, the required Financial Disclosure Report (SF-278; Rev 1/91) (Report) of Erskine B. Bowles, the nominee for Administrator of the Small Business Administration, and my review thereof.

The principal regulatory provisions that were germane to the review of Mr. Bowles' Report were:

(1) the provisions of § 2635.402 of the Office of Government Ethics regulations, 5 C.F.R. § 2635.402, which prohibit an employee of the SBA from participating personally and substantially in an official capacity in any particular matter in which, to his or her knowledge, he or she or any person whose interests are imputed to him or her, has a financial interest, if the particular matter will have a direct and predictable effect on that interest;

(2) the provisions of § 2635.403 of the Office of Government Ethics regulations, 5 C.F.R. § 2635.403 which prohibit an employee of the SBA from acquiring or holding any financial interest that he or she is prohibited from acquiring or holding by statute, by agency regulations or by reason of an agency determination of substantial conflict of interest;

(3) the provisions of § 105.506(b)(1) of SBA's Standards of Conduct Regulations (13 C.F.R. 105.506(b)(1)) which require that the continued holding of direct or indirect interests by an SBA employee, or member of his or her household, in institutions which participate with SBA in any of its investment or financial assistance programs be approved by SBA's Standards of Conduct Committee;

(4) the provisions of § 4(b)(1) of the Small Business Act (15 U.S.C. 633(b)) which require that "the Administrator shall

not engage in any other business, vocation, or employment than that of serving as Administrator", and

(5) the provisions of § 2635.502 of the Office of Government Ethics regulations, 5 C.F.R. § 2635.502 which require that an employee of SBA consider the appearance of partiality in the discharge of his or her responsibilities.

The specific issues raised with respect to these provisions are as follows:

Schedule D, Part I of the Report reveals that Mr. Bowles has held a number of positions outside the U.S. Government during the reporting period. Mr. Bowles has agreed to resign from all of those positions prior to his confirmation as Administrator of the SBA.

Of particular note in this regard is Mr. Bowles' resignation as Chairman and Chief Executive Officer of Bowles Hollowell Conner and Company of Charlotte, North Carolina (BHC). BHC is an investment banking firm which has in the past performed services for several clients which are participants in SBA's Small Business Investment Company (SBIC) program. SBIC's are investment companies which SBA licenses and regulates, and which obtain financial assistance from SBA. BHC has not represented any SBIC's before SBA. However, it is entirely possible, although speculative at this time, that BHC might represent similar SBIC clients or other clients involved with SBA's finance and investment programs during Mr. Bowles tenure as Administrator. As Administrator, Mr. Bowles would have ultimate responsibility for the administration of all such programs pursuant to section 4(b) of the Small Business Act, 15 U.S.C. 633(b). Therefore, in conjunction with his resignation from his capacities with BHC, Mr. Bowles has also been directed to sell and will sell all of his financial interests in BHC to BHC in order to avoid any prospective violation of 5 C.F.R. § 2635.402, and in order to avoid the potential for the appearance of any partiality in the performance of his duties. (5 C.F.R. § 2635.502) In return, he will receive compensation for the sale of those interests in the form of cash and an unconditional note. In my view, any conflicting financial interest which might arise because of Mr. Bowles' receipt of note payments from BHC which might in part be composed of the proceeds of fees derived from participants in SBA's programs during the course of his tenure as Administrator is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from him.

Under these circumstances, it is appropriate that an individual waiver of general applicability to all of SBA's finance and investment programs pursuant to 5 C.F.R. 2635.402(d)(2) should be issued by the President and upon Mr. Bowles'

confirmation such a waiver will be obtained in order to avoid any prospective violation of 5 C.F.R. § 2635.402 and any potential for the appearance of partiality in the performance of his duties, (5 C.F.R. § 2635.502). In addition, upon his confirmation, Mr. Bowles has agreed to disqualify himself from any matter which BHC may bring before SBA and which any client of BHC may have before SBA pursuant to 5 C.F.R. § 2635.402(c). It is not anticipated that such disqualification will interfere with the performance of his duties as Administrator. It will not be difficult to establish an appropriate mechanism within SBA to oversee these disqualifications through the auspices of my office.

Schedule A of the Report reveals that Mr. Bowles by virtue of his interest as a beneficiary in four trusts and his spouse by virtue of her interest in the Close Family Partnership #2 own interests in Kitty Hawk Capital Limited Partnership (Kitty Hawk), a Small Business Investment Company regulated by the Small Business Administration. Prior to Mr. Bowles confirmation as Administrator all financial relationships between SBA and Kitty Hawk will be extinguished and Kitty Hawk will have surrendered its SBIC License to SBA, thereby extinguishing any regulatory relationship with SBA.

Schedule A also shows that Mr. Bowles presently has interests as a beneficiary of two trusts the assets of which are composed of the stock of CCB Financial Corporation (CCB) and First Union Corporation, respectively, and owns shares of common stock of CCB, as well. Because continued holding of these interests requires the approval of SBA's Standards of Conduct Committee pursuant to 5 C.F.R. § 2635.403 and 13 C.F.R. § 105.506(b)(1), upon Mr. Bowles' confirmation as Administrator the appropriate approval will be sought. Under established SBA precedent such approval would ordinarily be forthcoming, premised upon the imposition of appropriate conditions including Mr. Bowles' recusal from any matters the two corporations or any of their subsidiaries may have before SBA.

Similarly, Schedule A also shows that Mrs. Bowles has an ownership interest in the common stock of Wachovia Corp. of Winston Salem, North Carolina, and is a Director of that corporation. She also received a Director's fee of \$27,000 during the reporting period relevant to that directorship. Wachovia Corp. is the holding company for Wachovia Bank which participates in SBA's guaranteed loan program. Because continued holding of such interests requires the approval of SBA's Standards of Conduct Committee pursuant to 5 C.F.R. § 2635.403 and 13 C.F.R. § 105.506(b)(1), upon Mr. Bowles confirmation as Administrator the appropriate approval will be sought. Under established SBA precedent such approval would ordinarily be forthcoming premised upon the imposition of appropriate

conditions including Mr. Bowles recusal from any matters Wachovia Corporation or Wachovia Bank might have before SBA.

If you have any questions regarding this matter, you may contact me or Robinson Nunn of my office at (202) 205-6644.

Sincerely,

Martin D. Teckler
Acting General Counsel and
Designated Agency Ethics Official



National Association for the Self-Employed

Washington Office • 1101-15th St., NW • Suite 400 • Washington, DC 20005-5002 • 202-466-2100 • 202-466-2123 (fax)

"Serving the Needs of Small-Business America"

S T A T E M E N T

T₃

Layman #2

Statement of Bennie L. Thayer
Chairman and CEO

The National Association for the Self-Employed

Before The Senate Small Business Committee

6 May 1993

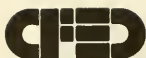
On behalf of the 320,000 members of the National Association of the Self-Employed, in all fifty states and in every Congressional District, I want to express our strong, enthusiastic support for the nomination of Erskine Bowles to be Administrator of the U.S. Small Business Administration.

Mr. Bowles admirably fulfills the qualifications we regard as most important in an SBA Administrator. He has extensive experience in the small business community. He understands, from his own significant background in banking and venture capital, the most important mission of SBA, which is small business finance. He also understands SBA's other great challenge -- reducing the burden that federal agencies can inadvertently or deliberately place on the nation's small businesses.

Mr. Bowles has worked closely with President Clinton, and enjoys the President's trust. This is especially heartening to us in an Administration that has already shown a remarkable degree of sensitivity to small business, and seems poised to help small business in unprecedented ways.

I had the pleasure of meeting personally with Mr. Bowles a few weeks ago, and came away fully confident of his abilities to lead and significantly improve SBA.

I hope that the Committee, and the full Senate, will approve this nomination promptly.



CORPORATION
• F O R •
ENTERPRISE
DEVELOPMENT

March 25, 1993

93 MAR 30 PM 3:22

The Honorable Dale Bumpers
Chair, Small Business Committee
United States Senate
428A Russell Building
Washington, DC 20510

Dear Senator Bumpers:

I write in support of the nomination of Erskine Bowles as Administrator of the Small Business Administration.

I have known Erskine for more than 15 years, during which time I have been consistently impressed by his competence, his creativity, his integrity, his diligence, his openness and his social commitment. As you know, SBA has too often been the home of political appointees who knew little of the needs and potential of small business and entrepreneurs in this country, and who had even less commitment to meet the Agency's high calling. Erskine Bowles offers the nation, for the first time in a long time, an SBA Administrator who can truly make a difference to entrepreneurs in this country -- and in turn to the American economy.

As Founder and Chair of the Corporation for Enterprise Development (CFED) and the Association for Enterprise Opportunity (AEO), I have had the opportunity to observe and sometimes help craft innovative entrepreneurial development strategies at the Federal, state and local level. Now some of the better of these experiments can go national, and with Erskine as Administrator, we will have someone at SBA who is open to new ideas, knows small and growing businesses well enough to know what makes sense, and can get things done.

I am aware of and grateful for your leading role in crafting the Microloan Demonstration Program. I think you will find Mr. Bowles understanding of the potential this program holds for the nation, able to Administer it properly, and generally supportive of both the opportunity and growth agendas of the SBA and the Administration.

If I can provide any additional background or help support this nomination in any other way, please let me know.

Sincerely,

Robert E. Friedman
Chair

cc: Patty Forbes

NATIONAL OFFICE
ORTH CAPITOL, NE

SUITE 801
WASHINGTON, DC 20002
PHONE (202) 408-9788
FAX (202) 408-9793

WEST COAST OFFICE
353 FOLSOM STREET
SAN FRANCISCO, CA 94105
PHONE (415) 495-2333
FAX (415) 495-7025

SOUTHERN OFFICE
413 E. CHAPEL HILL ST.
DURHAM, NC 27708-5249
PHONE (919) 682-9444
FAX (919) 682-8863

MIDWEST OFFICE
7 ELBA AVENUE
SUITE 200
ST. PAUL, MN 55102
PHONE (612) 292-0049
FAX (612) 292-0188



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April 15, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

Please allow me to express myself to you and the Senate Small Business Committee in behalf of my friend, Erskine B. Bowles. President Clinton has called upon Mr. Bowles to serve as Administrator of the Small Business Administration. In my opinion, our President will not at any time during his term of office...whether that be one or two terms...appoint a more capable and competent person to any position in his administration. Erskine Bowles is eminently qualified.

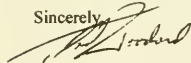
By virtue of the position I occupy as CEO of the trade association for community financial institutions in our state, I am aware of and acquainted with many of the leaders of business and industry in North Carolina. While there are many, there are, in fact, only a very few who are really and truly able to deal with planning, policy and people both simultaneously and fairly. Mr. Bowles is a master at maintaining his balance and poise no matter the challenge. He is known throughout our state as an exceptionally successful businessman who, while well versed with the etiquette of the boardroom and big business, is able, without hesitancy, to transition to the needs of the local community, its citizens and its particular concerns. There is no doubt, Senator Bumpers, that Erskine Bowles knows how to get the job done whether the task takes him to Wall Street or Main Street.

His success with major corporations throughout the country is evidenced by the success of his Charlotte firm, Bowles, Hollowell, Conner & Company. I consider him an expert in the credit markets and in the implementation of strategies for small businesses which, time after time, have led to their ultimate success. Bowles, Hollowell, Conner & Company, under his scrutiny and direction, has achieved and maintained an impeccable reputation. Erskine will bring an extremely high level of business acumen, as well as integrity, to his job as Administrator of the SBA.

Should anyone doubt my perception of Mr. Bowles or my knowledge of his character or achievements, please ask them to confirm my feelings with Governor Jim Hunt, former U.S. Senator Terry Sanford, or former U.S. Congressman L. Richardson Preyer. Or, Senator Bumpers, have them inquire of Don Mathes, Mathes Brothers Furniture Company, Oklahoma City; Elsie Nuckles, a small business woman in Greensboro; or Ken Farber, Executive Director, Juvenile Diabetes Association of Charlotte. Erskine doesn't just do big business deals; he's also a "big deal" to small business people who he has helped and to community initiatives that have benefited from his personal attention.

If Erskine says he is going to do something, you can take it to the bank. He is accountable. President Clinton has asked him to serve. He will do a great job and we will all benefit from his quality leadership.

Sincerely,



Thad Woodard
President

TW/csg

Established 1903

Kline Iron & Steel Co., Inc.

1225-35 HUGER ST. / P.O. BOX 1013
COLUMBIA, S.C. / 29202 / 803-251-8000
FAX: 803-251-8080

1993 APR 19 AM 11:07

April 15, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

I have known Erskine Bowles approximately ten years. We met in 1984, after I acquired our Company in a leverage buyout. As you know, these have been times of great uncertainty in the steel industry. Through the years I have had several conversations with Erskine, not only in regards to Kline and the steel industry, but the direction of our economy as a whole. His input and advice has enabled us to continue to grow and recently celebrate our 70th Birthday.

Erskine is truly a man of all seasons, I hold him in the highest personal and business regard - his integrity is above approach.

Yours very truly,

KLINE IRON & STEEL COMPANY, INC.

J. C. Kline, President

JCK/jce

file;uss

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STEEL FOR BUILDINGS AND BRIDGES

Established 1923

First Union Corporation

One First Union Center, 40th Floor
Charlotte, North Carolina 28288-0001
704 374-6120

Edward E. Crutchfield, Jr.

Chairman and Chief Executive Officer

1993 APR 19 AM 9:59

April 15, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

It is my pleasure and privilege to write you in strong support of Mr. Erskine B. Bowles, who has been nominated to become Administrator of the Small Business Administration. It is my understanding that, as Chairman of the Senate Small Business Committee, you will conduct confirmation hearings on Mr. Bowles.

I have known Erskine Bowles for 25 years and our bank, which is the 8th largest in the United States, has had extensive dealings with Erskine Bowles and his firm over that 25-year period. The reputation and quality of service provided by Bowles' firm is superb in every way and to my knowledge, no one has ever spoken otherwise in this 25-year period of time. He has extensive knowledge, background and experience in the credit markets in the United States. He and his firm have spent the past 20 years working almost exclusively with small businesses, to their very great benefit.

Perhaps most important, I have personal knowledge of his character, integrity and intelligence, which are above reproach. He is a superbly able individual, who has chosen at this point in his life to give something to his country and his fellow man. Our country would be extremely fortunate to have Erskine Bowles serving as Administrator of the SBA.

Most sincerely,

Edward E. Crutchfield, Jr.

Edward E. Crutchfield, Jr.

WACHOVIA CORPORATION
WINSTON-SALEM, NORTH CAROLINA 27150

JOHN G. MEDLIN, JR.
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

April 16, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

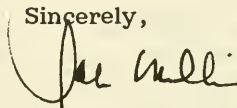
The President is to be commended for nominating Erskine B. Bowles as Administrator of the Small Business Administration. He is extraordinarily well qualified to head that important agency. I enthusiastically and strongly urge the Small Business Committee, which you chair, to recommend his confirmation to the Senate.

My acquaintance with Erskine Bowles extends over the past two decades through his activities in North Carolina. He is a person of strong character, values, and intellect who has been responsible, dedicated, and successful in his personal and professional life.

Since 1975, Mr. Bowles has been chief executive officer of a relatively small investment banking firm heavily engaged in advising smaller business enterprises and assisting them with financing. Our bank is a major lender to small businesses across the state and has observed many instances where he did exceptional work which enabled his clients to survive, expand, and thrive. I believe the capabilities and skills he displayed in those situations can be especially useful in leading and revitalizing the Small Business Administration.

Enclosed for information is a summary of Mr. Bowles' background and experience. I would welcome the opportunity to provide any additional information you or your staff might desire. You have my admiration and appreciation for your dedicated public service.

Sincerely,



John G. Medlin, Jr.

ERSKINE B. BOWLES

6725 Old Providence Road
Charlotte, North Carolina 28226
Phone: 704/364-1279

PERSONAL:

Wife: Crandall Close Bowles
Children: (3) Samuel Boyce Bowles, age 17
Anne Erskine Bowles, age 16
William Hargrove Bowles, age 13

Date of Birth: August 8, 1945

EDUCATION:

COLUMBIA UNIVERSITY - GRADUATE SCHOOL OF BUSINESS
Master of Business Administration Degree
May 1969
Concentration in Finance

McKinsey Scholar; President of Student Government;
Recipient of Business School Service Award "For Outstanding Leadership, Exemplary Personal Conduct and Service to the School"

UNIVERSITY OF NORTH CAROLINA
Bachelor of Science Degree
June 1967
Concentration in Business Administration

WORK EXPERIENCE:

BOWLES MELLOWELL CONNER & CO.

1975 - Present

Chairman and Chief Executive Officer

Bowles Mellowell Conner & Co. is a 54-person investment banking firm engaged in the private placements of equity and debt issues, mergers and acquisitions, valuations, industrial revenue bond financing and off balance sheet financing for corporate clients

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE

1975 - 1976

Instructor in Finance - both on the graduate and undergraduate levels

INTERSTATE SECURITIES CORPORATION

1973 - 1975

Vice President - Corporate Finance

Responsible for investment banking function of Interstate consisting of public offerings, private placements, off balance sheet financings, mergers and acquisitions, and industrial revenue bond financings.

ERSKINE B. BOWLES
 Page Two

WORK EXPERIENCE: MORGAN STANLEY & CO.
 1969 - 1973

Associate engaged in the corporate finance activities of this international investment banking firm. Areas of activity included private placement financing, public offerings, leveraged lease financing and Eurodollar financing.

MILITARY: UNITED STATES COAST GUARD RESERVE
 1967 - 1972

E-3 Enlisted Personnel; Honorable Discharge; Selected Outstanding Recruit in Basic Training; Voted Honor Man of Company; Selected for U.S. Coast Guard Honor Guard

**OFFICER,
 DIRECTOR, OR
 TRUSTEE:**

Carolina Tractor & Equipment Company (Director)
 First Union National Bank (Director)
 Gros-Beckert USA, Inc. (Director)
 Hynes Sales Company (Director)
 Sandlapper Fabrics, Inc. (Director)
 Juvenile Diabetes Foundation International (President)
 Charlotte/Mecklenburg Hospital Authority (Director)
 University of North Carolina Endowment (Trustee)
 University of North Carolina (Board of Visitors)
 Johnson C. Smith University (Board of Visitors)

SUMRELL, SUGG, CARMICHAEL & ASHTON, P.A.

ATTORNEYS AT LAW

310 BROAD STREET

NEW BERN, NORTH CAROLINA 28560

RAYMOND E. SUMRELL
 JAMES R. SUGG
 FRED M. CARMICHAEL
 RUDOLPH ALEXANDER ASHTON, III

1993 APR 13 AM 10:31

P.O. DRAWER 847
 NEW BERN, NC 28563
 (919) 633-3131

HAVELOCK, NC
 (919) 447-1985

TELECOPIER-FAX
 (919) 633-3507

April 6, 1993

ELLIOT ZEMEK*
 (OF COUNSEL)
 *ALSO MEMBER OF NEW YORK BAR

Senator Dale Bumpers
 229 Dirksen Office Building
 Washington, D.C. 20510

Dear Senator Bumpers:

We have not had the opportunity to talk for some time, and I have missed that. You were always so gracious in responding to my call as State Chairman to come to North Carolina to speak at the Jefferson Jackson Day dinners. You responded at a time when we did not have a Democratic Governor and needed the enthusiasm that you brought to keep the party alive until Governor Jim Hunt was elected in 1976. For your support, enthusiasm and direction, we will always be grateful.

President Clinton has nominated Erskine B. Bowles to head the Small Business Administration. I understand that he must be approved by your Committee and perhaps approved by the Senate.

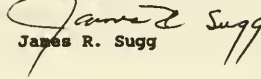
Enclosed is an article cut from the Greensboro Daily regarding this good man. His youth, knowledge, experience and love of public service makes him an excellent choice for the position. Although I have not been requested to write this letter of recommendation, I felt compelled to do so. I hope the Senate will have the collective wisdom to approve the nomination without any delay.

I see Betty Bunting (Wiley) frequently and others with whom you used to sing at Centenary Methodist Church when you were stationed at Cherry Point. We speak frequently of your time here in New Bern and I would like for you to find some reason to return here for a visit at the Marine Corps facility or just to take a sentimental journey back in time to renew acquaintances and revisit familiar places.

Senator Dale Bumpers
April 6, 1993
Page 2

Again, Jane and I send our best regards and look forward to seeing you either here in New Bern or in Washington.

Yours very truly,


James R. Sugg

JRS/jaw

Enclosure

N.C. banker to be force for business

● The president called, and Erskine Bowles is off to Washington to look out for the interest of the nation's small businesses.

By JIM SCHLOSSER
Staff Writer

When an FOB called Greensboro native Erskine Bowles, whose wife is an FOH, to ask if he would organize a small fund-raiser in Charlotte in the spring of 1992 for then-presidential candidate Bill Clinton, Bowles hesitated.

He didn't know Clinton, though his wife, Crandall Close Bowles, knew and was crazy about Hillary Rodham Clinton. Crandall Bowles — a vice president of the giant Springs Industries textile company that her father once headed — has been a friend of Hillary since their student days at Wellesley College.

Still, "I didn't think I could do it," says Bowles. "I had promised myself I wouldn't get involved in politics. I had told Jim Hunt and Terry Sanford that."

Besides, Bowles, whose oldest son, Sam, has diabetes, was busy volunteering 30 hours a week as president of the international Juvenile Diabetic Foundation, for which he has helped raise \$60 million.

But the friend of Bill kept after Bowles. He finally relented. He organized a reception for Clinton in the Trade Street investment banking offices of Bowles Hollowell Conner & Co., which Bowles co-

founded in 1975.

He and Clinton became instant friends. Bowles started accompanying Clinton on some campaign trips, including one to Greensboro. Bowles also brought Thomas F. "Mack" McLarty, Clinton's top fund-raiser and now chief of staff, to Greensboro to meet some leading business people.

After Clinton won the presidency, Bowles spent three weeks in Little Rock, Ark., helping organize the Clinton economic summit that attracted economists and business leaders from all over the country. Bowles also was seated a few rows from Clinton when the former Arkansas governor took the presidential oath in January.

Now, President Clinton has summoned Bowles to Washington to join his administration. On Tuesday, Clinton nominated the 47-year-old to lead the Small Business Administration. Despite its name, SBA is a massive organization with more than 4,000 employees and \$25 billion in outstanding loans. It makes loans and provides technical assistance to help start new businesses and keep existing ones going.

"I'm clearly thrilled," said Bowles, whose mother, Jessamine Bowles, lives in Greensboro.

Bowles' late father, Hargrove "Skipper" Bowles, was one of the state's best-known business and political leaders. The Greensboro businessman suffered a devastating loss for governor in 1972, becoming the first Democratic

nominee to lose to a Republican this century. He was a victim of the Nixon landslide that year.

Erskine Bowles left an investment banking job in New York to return home to work in his father's campaign.

"He was my hero and my best friend," Bowles says of his father, who died in 1986. "My mom and dad raised all of us to believe that we had an obligation to add to the woodpile and to do something for our fellow man." His father was a born politician. Before running for governor, the senior Bowles had worked in Gov. Terry Sanford's administration, then spent three terms in the state House and Senate.

Erskine, who attended Irving Park and Aycok schools in Greensboro before going off to Virginia Episcopal School, inherited his father's love of business — but not his strong interest in politics.

"I'm not a politician. I don't intend to become a politician. I'm a businessman," said Bowles, who after graduating from UNC-Chapel Hill earned an MBA from Columbia University in New York.

Now, if the Senate confirms his nomination, he's about to leave the charms of his home on Old Providence Road in Charlotte and become a resident of a town filled with politicians. He couldn't say no to the president.

"The more he talked to me about the SBA, the more I came to realize the importance small business played in our economy," Bowles says. "This became an opportunity I couldn't say no to. This gives me a chance to serve my country and to utilize the business skills I have worked so hard to develop the last 25 years."

He'll be busy in Washington but plans to continue making frequent trips to Greensboro to see his mother and relatives and to do his requisite jogging around the Irving Park area.

He won't have to worry about the SBA being just another alphabet soup agency in Washington's bureaucratic bowl.

"Every time the president talks about economy," Bowles says, "he always leads with small businesses. He's convinced me that small business is going to have a seat at the table."

Indeed, Bowles won't have to go through a chain of command to get the president's ear.

"The job," he says, "reports directly to the president."

Please see **BOWLES**, Page B2



April 16, 1993

1993 APR 21 PM 1:08

The Honorable Dale Bumpers
Chairman
Senate Small Business Committee
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

I am aware that President Clinton has nominated Erskine B. Bowles to serve our country as head of the Small Business Administration. This news was received with enthusiasm throughout the Carolinas because our President has tapped a business leader who has achieved so much as a small businessman. In fact, Erskine Bowles has built a very small operation into one of the most respected investment banking firms in the country.

It is natural for Erskine to gravitate towards public service, having grown up in a family which valued service to community at the highest level. During the past few years, Erskine has been quite active within our local Chamber of Commerce, providing leadership for this organization in support of our public school system, governmental relations and fiscal management. The success of our Chamber is due, in large part, to his personal leadership.

At the community level, Erskine and his family have been generous in their financial support and personal involvement in other community and civic endeavors. In addition to supporting the arts, the Bowles' have supported numerous programs for the underprivileged, while working tirelessly for the advancement of the Democratic Party in Charlotte and throughout the State of North Carolina.

As you consider the candidacy of Erskine B. Bowles to head the Small Business Administration, I can't think of a more energetic, dedicated and capable man to lead us in these uncertain economic times. Best wishes to you and your committee for this important confirmation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Carroll D. Gray".

Carroll D. Gray
President

CDG/cmc



Juvenile Diabetes Foundation International
The Diabetes Research Foundation

World Headquarters 1993 APR 16 PM 1:50

April 13, 1993

The Honorable Dale Bumpers
 229 Dirksen Senate Office Building
 United States Senate
 Washington, D.C. 20510

Dear Senator Bumpers:

I was delighted to learn recently that President Clinton has nominated Erskine Bowles to be the new Administrator of the Small Business Administration. I am writing to let you know what an outstanding choice my colleagues and I feel President Clinton has made. Mr. Bowles has served on the International Board of Directors of the Juvenile Diabetes Foundation for the past six years. Most recently, Erskine has served as President of our organization. The Juvenile Diabetes Foundation is the largest non-governmental agency dedicated to curing diabetes through research. Our organization is made up of hundreds of thousands of volunteers organized into 112 chapters in the United States; 15 chapters in Canada and chapters throughout Europe, South America and Australia.

We have been fortunate indeed to have Erskine as our leader for the past two years. When Erskine came to JDF we were a relatively small organization with a staff and volunteer base badly in need of inspiration, organization, and leadership. After two years of Erskine at the helm, JDF's research funding has increased dramatically; our volunteers and staff work far more effectively, and we are now optimistic that a cure for diabetes may be within our reach.

Erskine Bowles is tenacious, dedicated and a man of great integrity. With small business so important to job growth in America, and with the Small Business Administration in need of a dynamic new leader, the citizens of the United States could not find a more outstanding person for this position than Erskine Bowles.

Sincerely,

Kenneth M. Farber
 Executive Director

FORSTMANN LITTLE & Co.

767 Fifth Avenue, New York, New York 10153
(212) 355-5656 Telecopier: RAPICOM (212) 759-9059

1993 APR 22 PM 1:49
April 19, 1993

The Honorable Frank R. Lautenberg
United States Senate
506 Hart Senate Office Building
Washington, DC 20510

Dear Frank,


It is with great pleasure that I recommend Erskine B. Bowles to be the next Administrator of the Small Business Administration.

During the past ten years, Forstmann Little & Co., as well as myself, have had extensive dealings with Erskine in his capacity as Senior Partner of Bowles, Hollowell, Connors & Co. He has consistently demonstrated integrity, intelligence and a facility to get transactions completed.

His firm is perhaps one of the better examples of a very successful, small business which has distinguished itself and thrives in competition with some of the more substantial and better known Wall Street firms. Erskine is a clear-thinking, clear-communicating executive. We, as Americans, should be honored that he would forgo the many benefits of his private enterprise to undertake this public service.

I feel confident that he would do an excellent job as the Administrator of the Small Business Administration. Should you have any questions, please don't hesitate to contact me directly.

Sincerely yours,



Nicholas C. Forstmann

cc: The Honorable Dale Bumpers

Berkshire Partners

Suite 3425
One Boston Place
Boston, MA 02108-4101

April 20, 1993

1993 APR 22 PM 1:48

(617) 227-0050
Fax (617) 227-6105

The Honorable John F. Kerry
United States Senate
421 Russell Senate Office Building
Washington, DC 20510

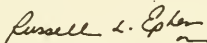
Dear Senator Kerry:

I am writing to you in regard to the nomination of Erskine Bowles to become the Administrator of the Small Business Administration. I have had the privilege to know and work with Erskine for probably 10 years and I can't think of a finer candidate in terms of his commitment to our country, his understanding the needs of small businesses, and his intellectual capacity to deal with the most complex issues.

As you know, Bowles, Hollowell Conner & Co. is an investment banking firm that has devoted itself to mid-sized and small companies, assisting them in finding capital to meet their growth needs and in identifying equity investors or in some instances selling those companies to people who do have the resources to make them grow. When the market dictated that lots of large deals could be done and there was an opportunity to move up in size, Bowles, Hollowell Conner & Co., led by Erskine Bowles, kept their primary focus on the middle market and the smaller cap companies and by doing so established themselves as a market leader in the eastern half of the United States. Erskine is a person of the highest integrity and someone who has always conducted all of his dealings with our firm in a highly professional manner and who has added greatly to the process by using both his intellectual capabilities and his force of personality.

I sincerely hope that you are fortunate enough to confirm Erskine as the Administrator of the Small Business Administration. I believe that it will be of benefit to the thousands of small businesses in America as well as to the current Administration.

Sincerely,



Russell L. Epker
General Partner

RLE: mrw

cc: The Honorable Dale Bumpers
Chairman, Small Business Committee



1993 APR 28 PM 2:49

April 20, 1993

The Honorable Dale Bumpers
 United States Senate
 229 Dirksen Senate Office Building
 Washington, DC 20510

Dear Mr. Bumpers:

I am writing this letter on behalf of Mr. Erskine Bowles, who I have known personally for over 15 years, in both a business and personal capacity. This letter will address briefly and directly my feelings regarding Erskine.

First, for you to understand and appreciate what type person Erskine is, and what he has done for me and my small business, you need to know a little about my background. In 1983 with very little business experience and a small amount of capital, I decided to go into business for myself. Erskine Bowles took his personal time as a friend to help me decide on the right opportunity for me to pursue. In the past ten years my company has encountered the normal problems which every business experiences, and the reason we have not become a statistic is because Erskine has been available to offer us the benefit of his guidance and advice which literally helped us make the right decisions for our situation. Erskine not only understands every nuance of business, but his most obvious attribute is his understanding, compassion and willingness to help other people achieve their goals.

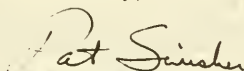
Obviously, to list everything Erskine has done for us in the past ten years, would require many pages, and too much of your time. Because Erskine has given unselfishly of his time and experience without asking anything in return, we have turned a small business into a nationwide company, employing hundreds of people. Only yesterday we were approved by the S.E.C. for a second round of financing which will bring 4.5 million dollars of new capital into our company, and put our stock on NASDAQ. Again, without Erskine's advice and guidance, this would not have been possible.

6849 Fairview Road
 Charlotte, North Carolina 28210, (704)364-7707

The Honorable Dale Bumpers
April 20, 1993
Page Two

Mr. Bumpers, the financial backbone of this country is dependent on people like me who are small business owners with limited experience and financial capabilities. To put a man with the integrity of Erskine into a position where he can help thousands of people like me could only result in many achieving the financial dream which has made this country great. I hope this letter helps you in your decision making process, if I can be of any further assistance, please do not hesitate to call.

Sincerely,


Pat Swisher
President



José F. Niño
President/CEO

United States Hispanic Chamber of Commerce

1993 APR 27 PM 3:52

April 20, 1993

The Honorable Dale Bumpers
United States Senate
Chairman
Senate Small Business Committee
Senate Russell Building - 428A
Washington, DC 20510

Dear Chairman Bumpers:

On behalf of the Board of Directors of the United States Hispanic Chamber of Commerce (USHCC), we offer our strong support to Mr. Erksine Bowles for the position of U.S. Small Business Administration (SBA) Administrator.

As you may know, our organization is a non-profit business organization. The USHCC is the leading organized Hispanic business group in the nation promoting the economic interest of over 650,000 Hispanic-owned businesses in the U.S. and Puerto Rico. We represent a national and international business network dedicated to the development of Hispanic enterprises.

We at the USHCC applaud the nomination of Mr. Bowles for the position of SBA Administrator. Mr. Bowles is a most worthy candidate, his business experience speaks for itself. The USHCC is very familiar with the problems that the SBA currently faces and the difficult challenges that are unmatched in its history. We are confident of Mr. Bowles ability to direct the SBA in a positive manner which will help strengthen small business in this country. Small Business, as you know, employs more than two-thirds of this country's work force.

We trust that Mr. Bowles confirmation will be expedient and effortless, so that he, the SBA and the U.S. small business community can put America back to work.

Sincerely,

Jose F. Niño
President/CEO

National Headquarters

1030 15th Street NW, Suite 206 Washington, DC 20005 Telephone: (202) 842-1212 Fax: (202) 842-3221

ELIZABETH BRUNS, INC.
JEWELERS

1993 APR 23 PM 1:05
April 19, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

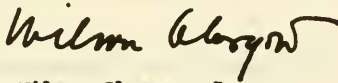
Dear Senator Bumpers,

I am writing you to make you aware of how Erskine Bowles, President Clinton's nominee for Administrator to the Small Business Association, assisted me in buying a small business.

In 1976 I became aware of the possible sale of Elizabeth Bruns, Inc., a small jewelry and gift retail store in Charlotte. I had been in the textile business for ten years prior to that and was looking for a more secure and stable business career. Mr. Bowles assisted me in doing a thorough study of the business, showing me how to do projected income statements, balance sheets, etc. all from prior audited financial statements supplied by the seller. Due to no prior experience in the jewelry business, the local banks were not willing to lend me the money to make the purchase. With Mr. Bowles's guidance, it was suggested that I try to obtain an SBA guaranteed loan. Fortunately, this advice proved to be the absolute best advice I've ever had. Elizabeth Bruns, Inc. was doing around \$200,000 a year in business in 1976. For the past five years, we have consistently had over \$2,000,000 a year in sales!

Several years ago I considered opening a branch store in Atlanta. Naturally, I sought Mr. Bowles's advice for such a move. Again he helped me with the necessary projections to assist me in making the decision. Unfortunately, the location I wanted became unavailable and we were unable to find a suitable replacement. Should this opportunity surface again in the future, you can be sure that I will again seek Mr. Bowles's advice.

Yours very truly,



H. Wilson Glasgow, Jr.
President

OMAR S. LEATHERMAN, JR

1993 APR 26 PM 2:00

April 22, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

I am writing you concerning the upcoming confirmation hearings of Erskine B. Bowles as Director of the United States Small Business Administration. I am in support of his appointment primarily because of his sensitivity to the needs of minority business people. Before I tell you why I support Mr. Bowles' confirmation, I'd like to give you a little background on myself.

I moved to Charlotte fourteen years ago. I grew up in Detroit and after graduating from college, got my first real job in Cleveland with Ford Motor Company as a factory representative in the sales division of Lincoln-Mercury.

My move to Charlotte was to get additional training to someday own an automobile dealership of my own. I went to work for a Black automobile dealer here who agreed to teach me the retail business. After a couple years, an opportunity came up to open a rent a car franchise at the new Charlotte airport and I took advantage of it and did well for awhile.

As with most businesses, we ran into a slump and needed some financial assistance. Through a referral of a mutual associate, I met Erskine Bowles who as you know owns an investment banking firm. Based on what Erskine did for a living vs. what I needed, it was like getting Michael Jordan to teach me how to play basketball.

I couldn't believe this man who bought and sold one hundred million dollar corporations was assisting a minority with a small rent a car business for no apparent reason. He did in-fact assist me and as a result, a few years later, I ended up buying a Chrysler Corporation dealership and for five years straight was ranked as one of the top 100 Black owned businesses in America.

7403 Mariner Cove * Huntersville, North Carolina 28078 * 704-896-7287

The Honorable Dale Bumpers

April 22, 1993

Page Two

The best part, he didn't ask for any fee and apparently did not have any political or personal reasons to benefit from this assistance. Years later I began to understand, he did it because he thoroughly enjoyed helping people less fortunate than he.

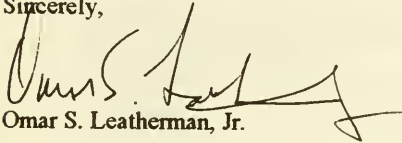
I was impressed!

A few years ago, as the chairman of the board of a minority business trade association named the Charlotte Business League, I asked Erskine to join a panel that would work towards getting North Carolina's three largest banks to invest twenty million dollars into a pool for equity capital for minority joint ventures. Without any hesitation or excuses, Erskine volunteered himself and offered his office staff to also assist. We spent four months working on this project and with out his help would not have gotten to first place.

Senator Bumpers, Erskine Bowles would make a great Director of the Small Business Administration and bring to the job the kind of genuine sensitivity to the needs of minorities that is rare in very successful business executives.

I hope you confirm this man. We will all be better off for it.

Sincerely,

A handwritten signature in dark ink, appearing to read "Omar S. Leatherman, Jr.", with a stylized, sweeping flourish at the end.

Omar S. Leatherman, Jr.



The Spartan Radiocasting Company

Corporate Headquarters • WSPA-AM-FM-TV, WBTW-TV, WJBF-TV, KIMT-TV, WMDB-TV

April 16, 1993

NICK W. EVANS
PRESIDENT

The Honorable Sam Nunn
United States Senate
303 Dirksen Senate Office Bldg.
Washington, DC 20510

Dear Senator Nunn:

I am excited and pleased that President Clinton has nominated Erskine Bowles to be the next Administrator of the Small Business Administration. The purpose of my letter is to offer my complete and wholehearted support of Mr. Bowles for this assignment.

Mr. Bowles placed the first phone call to me to start the process of his company assisting my company with the recent and successful acquisition of WJBF-TV in Augusta, Georgia. It was his leadership, and other talented professionals in his company, that provided the expertise and know-how to strengthen our company and position us to provide the best in broadcasting services to the Augusta community and the other markets we serve.

I support Mr. Bowles not only because of his assistance to the Spartan Radiocasting Company but because I know him to be a man of extreme character and knowledge. He knows small business and is uniquely qualified to lead the SBA. He also possesses a high degree of energy and desire. In short, I don't think there is a better person available or more qualified for the job.

I hope that in your process of confirmation you will get to know Mr. Bowles as I do. He will work hard for this country and will bring growth and prosperity to small business.

Your support of Erskine Bowles as Administrator of the Small Business Administration is important and will be a positive step in the right direction for this great country. Thank you for your time and careful consideration.

Sincerely,

Nick W. Evans/sf

Nick W. Evans

NWE:bf

cc: The Honorable Dale Bumpers
United States Senate

B1.cc: Mr. Erskine B. Bowles

250 International Drive, P.O. Box 1717, Spartanburg, SC 29304, 803-576-7777 Fax: 803-587-4449

THE SPARTAN RADIOCASTING COMPANY

133 APR 20 AM 9 14

WSPB-AM-FM-TV, WOTW-TV, KIMT-TV, WWSB-TV, WTVH-AM, WTVB-FM

STEVE CASTELLAW
DIRECTOR OF SALES

April 26, 1993

The Honorable Sam Nunn
United States Senate
303 Dirksen Senate Office Bldg.
Washington, DC 20510

Dear Sam:

I hope that all is well with you and that you are ready to enjoy a nice summer at Lake Burton with your family.

The purpose of my letter is to personally offer my wholehearted support of Erskine Bowles to be appointed Administrator of the Small Business Administration. Erskine's investment banking firm recently completed the assignment of assisting our Company with the acquisition of WJBF-TV in Augusta. His leadership, professionalism and integrity permeates his entire organization, and they did an outstanding job for Spartan Radiocasting.

I have known Erskine personally for 13 years and he is a man of tireless energy and total dedication to any task which he undertakes. His assistance to many small businesses through mergers and acquisitions makes him uniquely qualified for this very important position.

I hope that you have the opportunity to meet Erskine and get to know him as I do. Your support will obviously be a very positive step in his nomination process and, hopefully, he will be our new Administrator of the SBA.

Thank you for your time and consideration.

Best regards,

Steve Castellaw

Steve Castellaw

cc: The Honorable Dale Bumpers
United States Senate

11 Piedmont Center - Suite 606 • Atlanta, GA 30305 • 404-231-3704

Bank of Granite

P.O. BOX 128, GRANITE FALLS, N.C. 28630
(704) 396-3141

1993 APR 16
John A. Forlines, Jr.
Chairman and Chief Executive Officer

April 16, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Senator Bumpers:

It is my understanding that your Senate Small Business Committee will soon be holding confirmation hearings for Erskine Bowles as Administrator of the Small Business Administration.

I have known Erskine Bowles for many years and feel his appointment by President Clinton is one of the very best appointments the President has made.

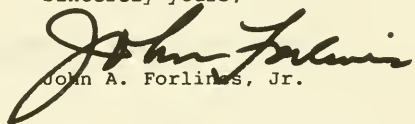
Our bank is a small regional bank in North Carolina, very active in making SBA loans. In 1993 we hope to make over \$10 million in SBA guaranteed loans. We have long been a leader also in making SBA 504 loans in North Carolina. We strongly believe in these programs and can attest to their worthiness from the standpoint of providing needed credit and creating jobs for our people. I feel that Erskine Bowles is ideally suited to head this agency because he is hardworking, a man of great integrity, and he understands small business. His outstanding investment banking firm has assisted many small businesses throughout the country as they have sought equity capital and other means of financing their operations. The firm of Bowles, Hollowell, Conner, & Co., which Erskine Bowles founded, is one of North Carolina's most respected companies, known for their high level of performance and professionalism.

I recommend Erskine Bowles unequivocally for this high position in our government. He will do an outstanding job and will bring much dedication and credibility to the Small Business Administration and to the Clinton administration.

Thank you for the opportunity to recommend this outstanding American citizen for this important position.

Best regards.

Sincerely yours,



John A. Forlines, Jr.

ks

GRANITE FALLS • HICKORY • HUDSON • LENOIR • MORGANTON • NEWTON • SPRINGS ROAD • VIEWMONT • WHITNEL

Hugh L. McColl, Jr.
Chairman of the Board

NationsBank

NationsBank Corporation
NationsBank Corporate Center
NC1 007-5801
Charlotte, NC 28255
704/386-5663

033 APR 22 PM 2:06

April 16, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

It is a great pleasure to write to you on behalf of my good friend, Erskine B. Bowles, in connection with his nomination as Administrator of the Small Business Administration.

Without doubt, Erskine is an excellent choice for this job. He has a high energy level, a very fine mind, and he has been successful in everything he has tried. He came to Charlotte from New York where he worked for Morgan Stanley. The investment banking firm he runs in Charlotte is highly respected and successful. Erskine's background and experience in the credit markets and working with small business make him an especially qualified person to run the SBA. As an aside, he also cares about his fellow man and has a heritage of public service. He is a man of the highest integrity, and I recommend him to you without qualification for this important position. He will serve our country well.

Sincerely,


Hugh L. McColl, Jr.

Duke Power Company
 Drawer AD
 Swem Station
 1405 Broad St., S.W.
 Winston-Salem, NC 27108

(919)727-4300

**DUKE POWER**

1993 APR 23 PM 12:58

April 20, 1993

The Honorable Dale Bumpers
 United States Senate
 229 Dirksen Senate Office Building
 Washington, DC 20510

Dear Senator Bumpers:

The purpose of my letter is to encourage the members of the Small Business Administration Committee to support the candidacy of Mr. Erskine B. Bowles for Administrator of the Small Business Administration. I have known Erskine for nearly 10 years and feel that he is truly an outstanding and capable candidate for this important position.

In my opinion, Erskine is one of the very finest young businessmen and business leaders in the Charlotte area. He plays a key role as an active corporate citizen in helping the City of Charlotte address important small and large business issues. Through direct involvement in the Charlotte Chamber of Commerce and other business organizations, Erskine has distinguished himself as a hardworking, unselfish, and bright individual.

Throughout my association with Erskine, I have been moved by his integrity and concern for the critical need to cultivate meaningful relationships between the black and white communities of our city regarding business as well as community-wide issues. Erskine has been instrumental as an advocate for broadening the participation of black business men and women in organizations such as the Charlotte Chamber of Commerce, the Charlotte Airport Authority, and the Charlotte Coliseum Authority.

On a number of occasions, I have personally referred individuals, who happen to be black, to Erskine for career and/or business advice. In each case, Erskine has been very willing to provide assistance. Erskine is currently providing help to a young man that I recently referred to him who needed some assistance in getting a start-up air freight operation up and running. At their initial meeting, Erskine committed the resources of his firm to assist in the development of a comprehensive business plan, technical advice specific to the air freight business, and personal contacts within the Charlotte region for potential air freight business. All of this was offered at no cost, with a handshake.

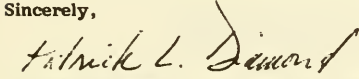
Lastly, I would like to share one other item with you and the committee. During the past 8-10 years, Erskine and his spouse, Crandall, have demonstrated their broader interest in and commitment to community development in Charlotte. During this period, they have provided their voices and financial resources

The Honorable Dale Bumpers
Page 2
April 20, 1993

in our joint efforts to provide college preparatory educational opportunities to minority students at one of our local independent schools. As a direct result of their interest and concern, we have been able to enroll and graduate more black children within the past five years than in the entire 50 year history of the school. Approximately 70-75 students have benefitted from their generosity and direct involvement in the school.

It makes me feel good to recommend such an outstanding citizen for this important position.

Sincerely,

A handwritten signature in cursive script that reads "Patrick L. Diamond". The signature is written in dark ink and is positioned above the printed name and title.

Patrick L. Diamond
District Manager

PLD/bm

RECEIVED

1993 APR 26 PM 1:31

Thomas P. Hollowell
Executive Vice President
Corporate Development
Textron Inc.

40 Westminster Street
Providence, RI 02903
401/457-2322

April 21, 1993

The Honorable John Chafee
The United States Senate
567 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Senator Chafee:

I am writing you to urge you to support Erskine Bowles as Administrator of the Small Business Administration. The Small Business Administration and our Country will be well served to have Erskine as its Administrator.

Erskine and I have been business partners and friends for over twenty years. During that time, I have seen Erskine not only successfully manage his own small business (Bowles Hollowell Conner & Co.), but also consult with and assist many small to medium-sized businesses. Erskine unquestionably knows the problems facing small businesses today. However, of equal or greater importance is his ability to manage the staff of the Small Business Administration to effectively deal with those problems.

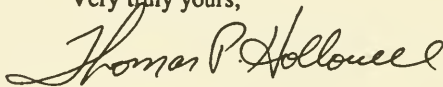
I became an Executive Vice President of Textron five months ago. While Textron may be a "Fortune 100" company, we are a group of thirty-four diverse entities. Erskine and Bowles Hollowell Conner & Co. have assisted Textron for many years in our divestiture program. Erskine and Bowles Hollowell Conner's knowledge of our individual businesses, and their problems and needs, was invaluable in their disposition and ultimate success under new ownership.

Having been at Bowles Hollowell Conner for eighteen years, I can attest that the bulk of our client base was the small to medium-size company. The assignments that the firm undertook, ranged from financing the small business to preparing business plans, or selling the business. Erskine was an integral part in all those assignments.

In closing, I know of no individual who will work harder to promote the cause of small business owners, but who also has the knowledge and the ability to learn more about the needs and concerns of the small business owner.

I welcome your questions concerning Erskine.

Very truly yours,



TPH:mm

cc: The Honorable Dale Bumpers ✓

HARBOUR GROUP

1993 APR 26 PM 2:13

SUITE 550 7701 FORSYTH BOULEVARD ST. LOUIS, MISSOURI 63105-1802 314 727 55

April 21, 1993

The Honorable Christopher S. Bond
United States Senate
293 Russell Senate Office Building
Washington, DC 20510

Dear Senator Bond:

Erskine B. Bowles, who has been nominated by President Clinton to be the next Administrator of the Small Business Administration, has asked me to write a letter in support of his nomination.

Harbour Group is a privately owned operating company which specializes in the acquisition of manufacturing companies for long-term investment. In this capacity Harbour Group has had an ongoing relationship with Mr. Bowles and his firm, Bowles Hollowell Conner, for several years. We have found both the firm and Mr. Bowles individually to be of the highest professional caliber. In particular, Mr. Bowles has had extensive experience working with the managements of small to medium sized businesses in the United States, and he has a unique understanding of the needs and opportunities facing small businesses in America.



SAMUEL A. HAMACHER
Executive Vice President

Mr. Bowles has taken his Wall Street experience and focused it exclusively on working with middle market companies, and in doing so has developed one of the most well-respected middle market financial advisory firms in the country. I feel that his hands-on experience in the last ten years will allow him to apply very practical solutions to the needs of small businesses.

If further information is needed, please do not hesitate to contact me.

Sincerely,

SAH/sas

cc: The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

**Union
Air Cargo**
P.O. Box 235
Monroe, NC 28811
1-800-654-1537 • Fax: 704-283-7717

1993 APR 27 PM 3:50

April 22, 1993

The Honorable Dale Bumpers, Chairman
Small Business Committee
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

I am writing because I believe Erskine B. Bowles would be an excellent choice for Administrator of the Small Business Administration. As an entrepreneur, Erskine has first hand knowledge of the needs and concerns of a small business and what it takes to sustain its viability. His keen awareness and knowledge of the effect on small businesses of changing financial and economic conditions would be invaluable in insuring the SBA's timely response in providing services to its clients. He possesses the administrative capabilities along with the business acumen to increase and improve the effectiveness of the SBA. Above all, Erskine has the interpersonal skills that are needed to keep the SBA responsive to small businesses by listening to men and women across the nation who know what is faced in starting and maintaining a small enterprise.

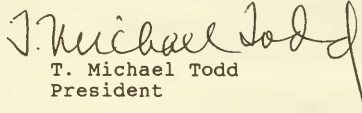
It is this set of interpersonal skills that would make Erskine particularly adept in being sensitive to the minority business sector. The face of minority business growth in this country is changing. Minority businesses are seeking and tapping global markets as well as those at the local and national levels. Such businesses are developing new technologies and making inroads into what had previously been non-traditional areas for minorities. Erskine understands the contributions such companies make by providing jobs and fortifying the economy. Yet he also understands the complex hurdles and impediments these businesses must overcome in order to survive. He knows because he has taken the time to listen and talk with minority entrepreneurs like me. Moreover, he has a history of taking a hands on posture in helping minority

Senator Bumpers
April 22, 1993
Page Two

business people by actively and personally making introductions and committing the resources of his staff to providing valuable guidance. He helps to make a difference and has done so on numerous occasions, as was the case with me and my company.

Sincerely,

UNION AIR CARGO


T. Michael Todd
President

TMT:tp

MICHAEL M. KENNEDY
3921 Middleton Court
Cincinnati, Ohio 45220-1128

1393 APR 27 PM 3:42

April 22, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

I am writing to you in support of my good friend, Erskine B. Bowles, for the position of Administrator of the Small Business Administration. Erskine and I met approximately five years ago when I sought his advice and counsel as a professional in a related field. I was immediately taken by his open and warm manner.

As a corporate banker, I have traveled this country extensively and have had the opportunity to meet and visit with many senior management officials of the small to the very large companies of corporate America. Aside from hearing their views of what is required for them to succeed financially, I have also heard them describe the political issues that affect them mostly as business people. These business persons include females and minorities.

The successful Administrator of the Small Business Administration will be one who has the ability to hear and empathize with the small business person. Erskine's background as an investment banker will certainly assist him in understanding the issues and effectively communicating them to President Clinton. Furthermore, his understanding of business will support him in advising and creating programs that will benefit the small business community.

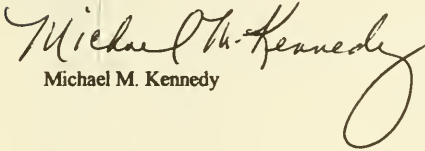
In a society which is growing more and more diverse, as a minority individual, I believe Erskine will endeavor to promote cultural diversity through his efforts. I know personally that he gave of himself to me through his knowledge, and he has always been responsive to my call. I know through others that he has given of himself professionally and economically to assist them in their pursuits of the entrepreneurial goal.

I feel strongly that Erskine B. Bowles would be an excellent Administrator of the Small Business Administration. More importantly, he is a quality individual, and as we proceed through these difficult economics times we need more people like Erskine B. Bowles who

are willing to sacrifice and give of themselves to gain the edge that we need to succeed. I believe that he will be fair and work tirelessly for the benefit of all.

I am asking you to join me in supporting Erskine for this position. If I can be of additional assistance, please do not hesitate to contact me directly. My office phone number is 513-762-8265 and my home phone number is 513-751-4770.

Best regards,

A handwritten signature in cursive script that reads "Michael M. Kennedy". The signature is fluid and elegant, with a large, sweeping loop at the end of the last name.

Michael M. Kennedy

LAW OFFICES

HOLLAND & KNIGHT

92 LAKE WIRE DRIVE
P.O. BOX 32092 (ZIP 33802-2092)
LAKELAND, FLORIDA 33802
(813) 682-1161
FAX (813) 688-1186

OFFICES.

FORT LAUDERDALE
JACKSONVILLE
LAKELAND
MIAMI
ORLANDO
ST. PETERSBURG
TALLAHASSEE
TAMPA
WEST PALM BEACH
WASHINGTON, D.C.

OF COUNSEL
MASTRY, MARGER, DAVIS
SON, BARTLETT & LYNN, P.A.
380 CENTRAL AVENUE
P.O. BOX 3342 (ZIP 33731)
ST. PETERSBURG, FL 33701
(813) 696-7171 FAX (813) 622-8048

SPECIAL COUNSEL
LITIGATION & BANKRUPTCY
SHAW, LICITRA, PARENTE
ESERNIO & SCHWARTZ, P.C.
1010 FRANKLIN AVENUE
GARDEN CITY, NY 11530
(516) 742-0610 FAX (516) 742-2870
300 EAST 42ND STREET
NEW YORK, NY 10017
(212) 338-0670

April 27, 1993

Direct Dial (813) 499-5753

The Honorable Connie Mack
United States Senate
517 Hart Senate Office Building
Washington, D.C. 20510

Dear Connie:

I have been advised that Erskine B. Bowles of Charlotte, North Carolina, has been nominated by President Clinton to be the next Administrator of the Small Business Administration. I have worked with Erskine Bowles in the past, as well as with his company, Bowles Hollowell Conner & Co. of Charlotte, North Carolina, and can attest to his and his company's high degree of skill and competence in dealing with the provision of capital for small businesses and providing a marketplace for sales of small businesses.

I do not believe that you could find a better candidate with an in depth knowledge of all aspects of transactions involving small businesses as well as their impact upon U.S. economy and the creation of jobs.

If I can provide you with any additional information or discuss the matter with you personally, please let me know.

Sincerely yours,

C. Parkhill Mays, Jr.

CPM/fmb
LAK-44334
cc: The Honorable Dale Bumpers

William E. LaMothe
Chairman Emeritus

April 23, 1993

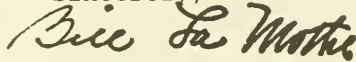
1993 APR 30 PM 2:43

Dear Senator Levin:

I understand that Erskine B. Boles has been nominated by President Clinton to be the next administrator of the Small Business Administration. During the mid-80s I was serving on the board of the Battle Creek Gas Company and we needed some help regarding the long-term strategy for this small utility. I asked our friends at Goldman Sachs whether or not they could help us; they felt the company was too small for them to handle, but recommended Mr. Boles' company in Charlotte, North Carolina.

Mr. Boles and his associates came to Battle Creek and really did a superb job, not only in helping us think through a strategy, but then helping us execute it. All this was done with a group of excellent professionals and at a cost that we felt was fair and reasonable for a small-size company. I know that Mr. Boles' company has continued to concentrate their efforts in helping small businesses, and I think his experience and track record would make him an excellent administrator of the SBA.

Sincerely,



W. E. LaMothe

The Honorable Carl Levin
United States Senate
459 Russell Senate Office Building
Washington, DC 20510

c: The Honorable Dale Bumpers





**SMALL BUSINESS
LEGISLATIVE
COUNCIL**

April 28, 1993

The Honorable Dale Bumpers, Chairman
Committee on Small Business
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

On behalf of the Small Business Legislative Council (SBLC), I wish to express our support for the confirmation of Erskine Bowles as Administrator of the U.S. Small Business Administration (SBA). We believe he brings strong credentials to the position and we look forward to working with him on behalf of small business.

As you know, the SBLC is a permanent, independent coalition of nearly one hundred trade and professional associations that share a common commitment to the future of small business. Our members represent the interests of small businesses in such diverse economic sectors as manufacturing, retailing, distribution, professional and technical services, construction, transportation, and agriculture. For your information, a list of our members is enclosed.

Last December we articulated our criteria for the selection of an SBA Administrator. Mr. Bowles matches up well with our hopes. In particular, we welcome his strong, in-depth knowledge of the "real" world of small business. When you understand cash flow and what it means to small business, you are well on your way to understanding small business.

Second, from our observations, it appears to us Mr. Bowles will bring strong management skills to the position. We do think such skills will be necessary and valuable to the continued effectiveness of the organization.

One of our criteria was that the Administrator have the confidence of small business groups such as the SBLC. This letter speaks for itself on that point.

Finally, we said the Administrator must "have the ear" of the President. From everything we see and hear, such is the case with Mr. Bowles and the President.

In our view, the Administrator is half the team. The other half is a strong, independent, and knowledgeable Chief Counsel for Advocacy. We hope after the confirmation of Mr. Bowles, the President will move quickly to fill this critical position.

1156 15th Street, N.W. - Suite 510 Washington, DC 20005 (202) 639-8500 / FAX (202) 296-5333



Members of the Small Business Legislative Council

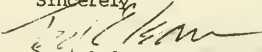
Air Conditioning Contractors of America
 Alliance for Affordable Health Care
 Alliance of Independent Store Owners and Professionals
 American Animal Hospital Association
 American Association of Nurserymen
 American Bus Association
 American Consulting Engineers Council
 American Council of Independent Laboratories
 American Floorcovering Association
 American Machine Tool Distributors Association
 American Road & Transportation Builders Association
 American Society of Travel Agents, Inc.
 American Sod Producers Association
 American Subcontractors Association
 American Textile Machinery Association
 American Trucking Associations, Inc.
 American Warehouse Association
 American Wholesale Marketers Association
 AMT-The Association for Manufacturing Technology
 Architectural Precast Association
 Associated Builders & Contractors
 Associated Equipment Distributors
 Associated Landscape Contractors of America
 Association of Small Business Development Centers
 Automotive Service Association
 Bowling Proprietors Association of America
 Building Service Contractors Association International
 Business Advertising Council
 Christian Booksellers Association
 Council of Fleet Specialists
 Electronics Representatives Association
 Florists' Transworld Delivery Association
 Helicopter Association International
 Independent Bakers Association
 Independent Medical Distributors Association
 International Association of Refrigerated Warehouses
 International Communications Industries Association
 International Formalwear Association
 International Franchise Association
 International Television Association
 Machinery Dealers National Association
 Manufacturers Agents National Association
 Manufacturers Representatives of America, Inc.
 Mechanical Contractors Association of America, Inc.
 Menswear Retailers of America
 National Association for the Self-Employed
 National Association of Brick Distributors
 National Association of Catalog Showroom Merchandisers

National Association of Home Builders
 National Association of Investment Companies
 National Association of Plumbing-Heating-Cooling Contractors
 National Association of Private Enterprise
 National Association of Realtors®
 National Association of Retail Druggists
 National Association of RV Parks and Campgrounds
 National Association of Small Business Investment Companies
 National Association of the Remodeling Industry
 National Association of Truck Stop Operators
 National Chimney Sweep Guild
 National Coffee Service Association
 National Electrical Contractors Association
 National Electrical Manufacturers Representatives Association
 National Fastener Distributors Association
 National Food Brokers Association
 National Grocers Association
 National Independent Flag Dealers Association
 National Knitwear & Sportswear Association
 National Limousine Association
 National Lumber & Building Material Dealers Association
 National Moving and Storage Association
 National Ornamental & Miscellaneous Metals Association
 National Paperbox Association
 National Shoe Retailers Association
 National Society of Public Accountants
 National Tire Dealers & Retreaders Association
 National Tooling and Machining Association
 National Tour Association
 National Venture Capital Association
 Opticians Association of America
 Organization for the Protection and Advancement of Small Telephone Companies
 Passenger Vessel Association
 Petroleum Marketers Association of America
 Power Transmission Representatives Association
 Printing Industries of America, Inc.
 Professional Plant Growers Association
 Retail Bakers of America
 Small Business Council of America, Inc.
 SMC/Pennsylvania Small Business
 Society of American Florists
 Specialty Advertising Association International
 United Bus Owners of America

-2-

In conclusion, let me again affirm our support for Mr. Bowles. We look forward to working with him, this Committee, and the President on behalf of small business.

Sincerely,



H. Ted Olson
Chairman

HTO/S2679
Enclosure

1993 APR 26 PM 3:13

U P L I F T I N C.

BOARD OF DIRECTORS

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Vice Chairman

Phillip A. Boddour, Jr.

Mary Martin Borden

Erskine B. Bowles

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Ashley Thrift

John B. Turner

H. Michael Weaver

April 22, 1993

Senator Dale Bumpers
229 Dirksen
Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

I am writing in strong support of Erskine Bowles' nomination as Administrator of the Small Business Administration. UPLIFT is a non-profit corporation that helps communities more effectively serve low-income children and families.

Erskine and I worked together in 1989 to form a non-profit corporation called Early Childhood Initiative (ECI). Erskine was Board Chairman and I was Executive Director. We had a staff of two and in the first two years established programs in several eastern North Carolina counties. In 1991, ECI merged with Project Uplift, another small non-profit corporation to form UPLIFT, Inc. By the end of this year we will have over 50 employees. Our former President, who had been President of Project Uplift, is now Secretary of the North Carolina Department of Human Resources and the work that we have done over the last several years is the prototype for a major initiative that the Governor is starting in this state.

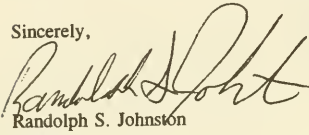
Erskine provided much of the structure and administrative discipline to our organization, especially in its formative years. He made us meet the high standards that he set for his own corporation and this discipline has carried forward as we have grown. His participation also gave us credibility with funders in the state, who knew him as a tough-minded administrator.

P.O. Box 222 Greensboro, NC 27402 919-333-2222 Fax 919-333-2229
4208 Six Forks Road Suite 246 Raleigh, NC 27609 919-571-1368 Fax 919-571-8579

Erskine was very much in demand as a board member and he chose his projects carefully. We were fortunate that he chose us. He did so because of his deep commitment to our mission, which is to help low-income children and families gain control of their lives. I have no doubt that he will carry this commitment into his new position.

I enthusiastically support his nomination and look forward to seeing him bring his discipline and drive to the Small Business Administration.

Sincerely,

A handwritten signature in dark ink, appearing to read "Randolph S. Johnston". The signature is fluid and cursive, with the first name "Randolph" being more prominent and the last name "Johnston" following in a similar style.

Randolph S. Johnston
President

RSJ/rhj

CASS BALLENGER

10TH DISTRICT, NORTH CAROLINA

2238 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3310
202-225-2578

DISTRICT OFFICES

P.O. Box 1830

381-10TH AVENUE DRIVE, NE

HICKORY, NC 28603

704-327-6100

P.O. Box 1881

2584 LEWISVILLE-CLEMMONS ROAD

SUITE 107

CLEMMONS, NC 27012

919-766-0455

Congress of the United States
House of Representatives

Washington, DC 20515-3810

April 28, 1993

COMMITTEES

EDUCATION AND LABOR

SUBCOMMITTEES

SELECT EDUCATION AND CIVIL RIGHTS

BANKING MEMBER

LABOR STANDARDS

OCCUPATIONAL HEALTH AND SAFETY

LABOR-MANAGEMENT RELATIONS

FOREIGN AFFAIRS

SUBCOMMITTEES

WESTERN HEMISPHERE AFFAIRS

INTERNATIONAL ECONOMIC POLICY,

TRADE, AND ENVIRONMENT

DISTRICT OF COLUMBIA

SUBCOMMITTEES

FISCAL AFFAIRS AND HEALTH

BANKING MEMBER

JUDICIARY AND EDUCATION

The Honorable Dale Bumpers
Chairman
Committee on Small Business
SR-428A
Washington, D.C. 20510-6350

Dear Dale:

I am writing to recommend Erskine Bowles be confirmed as Administrator of the Small Business Administration.

Back in my real life as a businessman, I was offered the opportunity to sell my company. As in most cases similar to this, I had no idea what it was worth. There was an outstanding firm in Charlotte, North Carolina with extensive experience in handling evaluations, negotiations and all of the other details in sales and mergers. Bowles, Hallowel and Conner was that firm.

Erskine Bowles was head of the firm and they did an excellent job for me and my company. Due to their good advice, I realized the suitor for my business was making less than a fair offer and we ended the negotiations. Erskine Bowles' firm was professional and their knowledge of business, both large and small, was extensive.

I highly recommend Erskine Bowles be confirmed as Administrator of the Small Business Administration.

Sincerely,



CASS BALLENGER
Member of Congress

CB:pmm

ALEX McMILLAN
8TH DISTRICT
NORTH CAROLINA



COMMITTEE ASSIGNMENT
ENERGY AND COMMERCE
COMMITTEE
BUDGET COMMITTEE
REPUBLICAN LEADER'S
TASK FORCE ON HEALTH
REPUBLICAN LEADER'S
TASK FORCE ON THE ECONOMY

Congress of the United States
House of Representatives

Washington, DC 20515-3309

1993 APR 29 PM 2:00

April 27, 1993

Senator Larry Pressler
133 Hart Senate Office Building
Washington, D. C. 20510

Dear Larry:

I have a unique opportunity.

That is to wholeheartedly commend to you the name of Erskine B. Bowles for Director of the Small Business Administration.

Unique, because I can recommend a Democrat without reservation.

Unique, because for the first time in years, the nominee is a person with solid business experience, moreover, experience in raising capital for small and middle market businesses.

Unique, because his character is beyond question.

I won't duplicate biographical data at your hand. But I know him first-hand as a long-standing member of my community of Charlotte where he originated a prominent investment banking firm and plays an important part in the community. Suffice it to say, by education, experience and character, Erskine Bowles is an outstanding choice.

We are fortunate indeed that one like him is willing to serve.

I urge your unqualified support.

With best regards.

Sincerely,

Alex McMillan
Member of Congress

CC: Senator Bumpers ✓

WASHINGTON
601 CANNON BLDG
WASHINGTON, DC 20515-3309
PHONE: 202/225-1878

CHARLOTTE
601 WEST TRADE ST. RM. 214
CHARLOTTE, NC 28202
PHONE: 704/372-1878

GASTONIA
224 SOUTH NEW HOPE ROAD
SUITE H
GASTONIA, NC 28054
704/951-1878

ALEXANDER & CO., LTD.

(704) 332 1221

1093 APR 30 PM 2: 27

P.O. Box 36875
Charlotte, N.C. 28236

April 23, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Bumpers:

I am writing to you as Chairman of the Small Business Committee on behalf of Erskine Bowles. It is my pleasure to extoll Erskine's virtues as I've known him since we were teenagers.

I started my business, R. B. Alexander & Co., Ltd. (a footwear importer and distributor) in 1974. As usual, I had a little knowledge of the shoe business, very little capital, and almost no knowledge of financial operations. While floundering through the "start up" process I turned to my old college chum, Erskine Bowles. That turned out to be one of the "smartest" things I did; Erskine guided me through proforma balance sheets, proforma income statements, financing costs and business plans. As a direct result of Erskine's involvement some of the banks actually thought I knew what I was doing.... and my little venture got off the ground.

Erskine continued to serve R. B. Alexander & Co., Ltd. as a member of our Board of Directors. In other words, as a struggling small businessman I had someone to talk to who had a lot of business sense as well as common sense to go along with an unbiased perspective.

ALEXANDER & CO., LTD.

(704) 332-1221

P.O. Box 36875
Charlotte, N.C. 28236

The Honorable Dale Bumpers
April 23, 1993
Continued

Time passed, the business grew, we evolved and made a few profits. There were many times I turned to Erskine for advise and consultation. He was always there. Most recently, in December of 1990, my bank of thirteen years decided we were not the fine credit risk we were only one month before. The bank said they had new strict guidelines from the OCC in Washington (but who really knows). By this time I supposedly knew a little something about business financing, but I again turned to my friend Erskine Bowles for help. And again, he was there with practical, non emotional, specific recommendations. In short, he was a tremendous help to my company when I needed it.

Obviously, you already know that Erskine has a solid business education as well as a wealth of experience to bring to the Small Business Administration. But more importantly, Erskine is honest and principaled; and these two traits are extremely hard to find. He is also pragmatic and hardworking, yet he has retained a certain refreshing, youthful idealism. There is just not much coming out of Washington that I can support, but I can wholeheartedly and enthusiastically support Erskine Bowles to run the Small Business Administration. You will not find a better candidate.

Sincerely,



Richard B. Alexander

RBA:cs



FAIRWAY FARMS INC.

556 South Caribton Road
 Sanford, North Carolina 27330-8701
 Phone: 919/947-3412
 FAX: 919/947-1765

W. C. Boren III, President
 Home: 919/692-2659

303 APR 30 1993
 W. C. Boren III, D.V.M., M.B.A.
 Vice President General Manager
 Home: 919/692-3851

April 28, 1993

The Honorable Dale Bumpers
 United States Senate
 229 Dirksen Senate Office Building
 Washington, DC 20510

Dear Senator Bumpers:

I am writing this letter to recommend my dear friend Erskine B. Bowles in behalf of your Committee to become Administrator of Small Business Administration.

I have known Erskine since he was born in Greensboro, North Carolina and have pretty much followed him throughout his schooling including his Masters at Columbia University. I have nothing but praise and admiration for him, including his wonderful business accomplishments since he entered his profession and being president of Bowles, Hollowell, Conner & Company. He has guided his company from its beginning as a very small company to become a leader today in the mortgage banking field. His knowledge of his industry is evident by all he has accomplished.

I have had personal experience with Erskine through the sale of three companies that would come under the category of "Small Business". In all cases he handled the situation for both the buyer and the seller with the greatest skill, tact and to the satisfaction of all parties.

Your very favorable consideration of the appointment of Erskine B. Bowles will greatly add to President Clinton's administration.

Sincerely,

W. C. Boren, III

WCB/efm



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Milford, IL
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BEVERLY F. DOLAN
 1990 TWO FIRST UNION CENTER
 CHARLOTTE, NORTH CAROLINA 28202
 TEL: (704) 374-6188
 FAX: (704) 338-9539

1993 APR 29 AM 10:55

April 23, 1993

The Honorable John Chafee
 United States Senate
 567 Dirksen Senate Office Building
 Washington, DC 20510

Dear John:

First, I want to congratulate you on your opposition to the President's so-called "Jobs Bill." I agree 100 percent. Keep up the good work.

On a different subject, Erskine Bowles is to be the next Administrator of the SBA and I am writing you to ask for your support in his Appointment.

Erskine Bowles has been a personal friend of mine for 18 years and I have followed his business career as well as having been associated with him socially. Erskine founded and was the leader of Bowles Hollowell Conner & Company, which is a relatively small Investment Banking Firm in Charlotte - relative to the New York Firms. However, in the South, the Company was a major player with a full range of services.

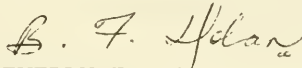
During my tenure as CEO of Textron, Bowles Hollowell Conner & Company accomplished at least a half dozen transactions for Textron in a highly successful and professional manner.

The Honorable John Chafee April 23, 1993 Page 2

Erskine's 24 years experience in working with small businesses gives him a unique insight into what, I imagine, the Administrator of the SBA would need. I knew Erskine's father, and he too was an outstanding businessman in the State of North Carolina, as well as a splendid gentleman.

Any help you can give Erskine would certainly be appreciated by me.

Yours very truly,

A handwritten signature in cursive script, appearing to read "B. F. Dolan".

BEVERLY F. DOLAN

cc: **The Honorable Dale Bumpers**
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

CGW SOUTHEAST PARTNERS

April 22, 1993

The Honorable Sam Nunn
United States Senate
303 Dirksen Senate Office Bldg.
Washington, DC 20510

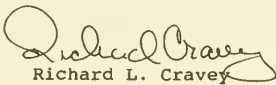
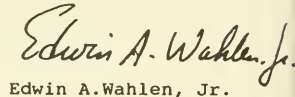
Dear Senator Nunn:

I am writing to you on behalf of Erskine B. Bowles who was recently nominated by President Clinton to be the next Administrator of the Small Business Administration.

My partners and I have known Erskine both personally and professionally for 10 years and, in our opinions, his extensive experience in dealing with small to mid-sized companies as well as his unique blend of professionalism and leadership should certainly qualify him as an excellent Administrator of the SBA.

We hope you will give his nomination serious consideration and support.

Very truly yours,


Richard L. Cravey
William S. Green
Edwin A. Wahlen, Jr.

CRAVEY-C12

cc: The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Bldg.
Washington, DC 20510



1001 Hingham Street, Rockland Massachusetts 02370-1050 • 617-878-8040 FAX 617-878-8576

333 MAY -4 AM 10:17

April 30, 1993

The Honorable John F. Kerry
United States Senate
421 Russell Senate Office Building
Washington, D.C. 20510

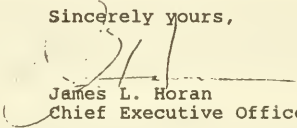
Dear Senator Kerry:

President Clinton has nominated Erskine B. Bowles to be the next administrator of the Small Business Administration.

I have had the pleasure of working with Erskine and am excited that someone so uniquely qualified has been nominated for this critical position. Small business is the backbone of this country.

Senator, I ask your support for the confirmation of Erskine B. Bowles.

Sincerely yours,



James L. Horan
Chief Executive Officer

JLH/mro

bcc: The Honorable Dale Bumpers

SARA LEE CORPORATION

1993 MAY -4 AM 10: 20

April 29, 1993

Three First National Plaza
Chicago, Illinois 60602-4260
312 555 5624

Paul Fulton
President

The Honorable Carol Moseley-Braun
United States Senate
B34 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Moseley-Braun:

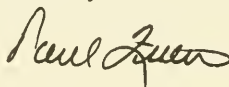
I am writing to recommend that President Clinton's nomination of Erskine B. Bowles as the next Administrator of the Small Business Administration be supported.

I have known Erskine for many years, both personally and professionally. The business that he founded, Bowles, Hollowell, Conner & Company, has been specifically focused on working with building and leveraging small and medium sized companies. He has been tremendously successful.

Erskine has a bright and keen mind and a commitment to the importance of small business in our economy. His family has been at the forefront of the Democratic Party in the state of North Carolina for years. The reputation and integrity of Erskine and his firm are impeccable. I urge you to approve his nomination.

Best wishes.

Sincerely,



PF/sk

c:

The Honorable Dale Bumpers



BancBoston Ventures

1993 MAY -4 AM 10:42

April 26, 1993

The Honorable John F. Kerry
United States Senate
421 Russell Senate Office Building
Washington, DC 20510

Dear Senator Kerry,

Erskine Bowles has been nominated as Administrator of the Small Business Administration, and I am enthusiastically supportive of this action. BancBoston Ventures, and its affiliates, have known Erskine for many years and have successfully closed business together. He and his firm have a first class marketplace reputation for the thoroughness of their business analysis, performance maximization and dealing integrity.

He is an extremely business and results oriented candidate, with the clear potential of re-activating the SBA mission in terms of entrepreneurial sponsorship as well as promoting new business (i.e. jobs) creation.

I have known Erskine for four years and consider him an outstanding choice for any administration to head this important agency. My endorsement is based purely on my professional dealing with Erskine as it should be noted that in November, 1992 I was voted a Governor of the National Association of Small Business Investment Companies (NASBIC), an advocacy group for small business affairs.

BancBoston Ventures is the Small Business Investment Subsidiary of the Bank of Boston, having received the SBA's first License in 1959 and having subsequently invested in over 150 companies. We are very pleased with the prospect of his appointment.

cc: The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

BancBoston Ventures Inc.
100 Federal St., Boston, MA 02110 Tel. 617-434-2442 Mail: P.O. Box 2016, Boston, MA 02106-2016
a BANK OF BOSTON company Fax: 617-434-1383
A Federal Licensee Under the SBI Act of 1958



Trailmobile Inc.
200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-1190

1993 MAY -4 AM 10:44

J. Michael Brown
President

April 28, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

As you are aware, Erskine Bowles has been nominated by President Clinton to be the next Administrator of the Small Business Administration. I do not believe the President could have selected a better person. Small business is key to the country's economic health. The next Administrator must be able to structure and focus the Small Business Administration to more effectively use increasingly limited resources to help the small business people create the jobs our country so desperately needs.

Trailmobile had significant dealings with Mr. Bowles and his firm, Bowles Hollowell Conner & Co. during 1991 and I've remained in contact with him ever since. I can personally attest to his character, his responsiveness, and his business awareness. I believe he can make a difference and know he would appreciate your support.

Additionally, construction has begun on our new semi-trailer plant in Jonesboro, Arkansas. Your assistance was much appreciated; it helped make Arkansas the best choice.

Very truly yours,

A handwritten signature in dark ink, appearing to read "J. Michael Brown", written in a cursive, flowing style.

J. Michael Brown
President

JMB:smk



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27603-8001

1993 MAY -5 AM 11: 59

JAMES B. HUNT, JR.
GOVERNOR

April 23, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Dale:

This letter is to recommend my good friend Erskine Bowles to you. As you know, President Clinton has nominated him to head the Small Business Administration.

I have known Erskine for years and give him the highest possible recommendation -- both professionally and personally. He has built a successful investment firm that operates on a national and international scale. Erskine understands all levels of our economy and how the SBA can help people.

Erskine is also the type of person we need in a position of leadership. His family is his top priority and he gives countless hours and financial support to his community.

Erskine's family also has a long history of service to our State. His father was a State Senator, nominee for Governor and a great champion of our University.

I urge your strong support of Erskine's nomination. Please contact me if you want to discuss this matter.

My warmest personal regards.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim", written over a horizontal line.

James B. Hunt, Jr.

*Dale, he is the best we've got
in North Carolina. Please help him.*



HOWARD COBLESIXTH DISTRICT
NORTH CAROLINACOMMITTEES
JUDICIARY

*MERCHANT MARINE AND FISHERIES

403 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3306
PHONE: (202) 225-3085
FAX: (202) 225-8811SUITE 247
324 WEST MARKET STREET
GREENSBORO, NC 27401-2544
PHONE: (818) 333-5005
FAX: (818) 333-5048**Congress of the United States**
House of Representatives
Washington, DC 20515-3306

April 29, 1993

SUITE 101
241 SUNSET AVENUE
ASHFORD, NC 27203-5558
PHONE: (818) 826-3080
FAX: (818) 826-4533P.O. Box 514
124 WEST ELM STREET
GRANHAM, NC 27253-0814
PHONE: (818) 228-0158
FAX: (818) 228-7874510 PERMDALE BOULEVARD
HIGH POINT, NC 27282-4742
PHONE: (818) 858-5108
FAX: (818) 858-8740P.O. Box 1513
SUITE A
1404 PIEDMONT DRIVE
LEXINGTON, NC 27293-1513
PHONE: (704) 248-8230
FAX: (704) 248-4275The Honorable Dale Bumpers
229 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Bumpers:

Erskine Bowles has been nominated by President Clinton to serve as Administrator of the Small Business Administration. The purpose of this letter is to heartily endorse his confirmation.

Erskine Bowles' dad and I served together in the North Carolina General Assembly and Erskine and I served together in the Coast Guard Reserve.

I know Erskine Bowles and his family well and I will be happy to appear in person in his behalf if such an appointment is requested.

Sincerely,

HOWARD COBLE
Member of Congress

HC:kc



S. Jackson Faris
President & CEO

May 5, 1993

The Honorable Dale Bumpers
Chairman
Senate Small Business Committee
United States Senate
Washington, DC 20510

Dear Senator Bumpers:

On behalf of the more than 600,000 members of the National Federation of Independent Business (NFIB), I would like to express my strong support for the confirmation of Erskine Bowles as Administrator of the Small Business Administration (SBA).

I am pleased that President Clinton has taken a step in the right direction by nominating a business owner to head up the SBA. Mr. Bowles started his own investment firm in 1975 with revenues of less than \$5,000 and in the last eighteen years he has shepherded it into a highly successful 52 member investment-banking firm. It is clear that Mr. Bowles has the background to know what concerns and needs confront a small business owner.

Mr. Bowles approaches this job with enthusiasm and he has demonstrated that he is receptive to changing the structure and focus of SBA to effectively address the needs of the small business community. It is NFIB's hope that with Mr. Bowles at its head, the SBA will provide considerable input into national economic policy decisions that affect small businesses.

NFIB looks forward to working with Mr. Bowles and with SBA to rejuvenate the agency and make it of more practical assistance to small businesses.

Sincerely,

A handwritten signature in dark ink, appearing to read "S. Jackson Faris".

S. Jackson Faris
President and CEO

Suite 700 • 600 Maryland Ave. S.W. • Washington, DC 20024-2567 • 202-554-9000 • Fax 202-554-0496
53 Century Boulevard • Nashville, Tennessee 37214-3693 • 615-872-5800 • Fax 615-872-5899

The Guardian of Small Business for Fifty Years

BORROUGHS

MAURICE W. BARRETT
PRESIDENT

1993 APR 29 AM 11: 18

April 20, 1993

The Honorable Carl Levin
United States Senate
459 Russell Senate Office Bldg.
Washington, DC 20510

Dear Senator Levin:

I was very pleased to read an article in the *New York Times* a week or so ago about President Clinton's choice of Erskine Bowles to head the SBA. If there is to be any growth in real manufacturing jobs, in spite of the deleterious effect of the apparent increases in business tax burdens, it will come from small and medium size businesses. People like Erskine Bowles can help small businesses.

I have experienced firsthand the knowledge and business acumen that Erskine would bring to the SBA. I am sure you are familiar with his professional credentials, so I will not elaborate except to advise you of my recent personal experience with Erskine and his firm.

Erskine Bowles and I first met in 1989 when I was seeking assistance to sell a small business that was a division of Lear Siegler, Inc. At the time, I was the executive responsible for the companies under the Lear Siegler Commercial Products umbrella. Erskine personally educated me on the process of preparing the business for sale and he accompanied me to the plant with prospective buyers. Erskine was interested in obtaining the best price for the business, but moreover, was intent on finding the right buyer who would benefit from the purchase in the long run. Without getting into the myriad of details, the business was sold to Leggett & Platt, Inc. and today is a growing, successful business entity.

Erskine and his team of professionals from Bowles Hollowell Conner & Co. also assisted us with the purchase of Borroughs Corporation from Lear Siegler in 1991. Again, his financial

BORROUGHS CORPORATION

BORROUGHS

The Honorable Carl Levin

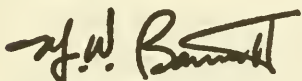
April 20, 1993

Page 2

expertise, combined with his good, basic business knowledge, and ethical behavior, were instrumental in completing this \$12 Million transaction.

President Clinton has made an excellent choice in Erskine Bowles to head the SBA. I hope you will support his appointment. And, that you will support all small manufacturing businesses in our attempts to remain competitive in these chaotic world markets.

Sincerely,



Maurice W. Barrett

bfs

c: ~~The Honorable Dale Bumpers~~
United States Senate
229 Dirksen Senate Office Bldg.
Washington DC 20510

Flynt

Fabrics and Finishing, Inc.

• GREENSBORO, N.C. 27401

CHARLES H. FLYNT, JR.
PRESIDENT

1993 APR 29 AM 11:33

April 22, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers,

I am writing you to strongly endorse the nomination of Erskine Bowles as head of the Small Business Administration. Erskine and I have known each other for the past 15 years. We first met when we both joined Hynes Sales Company as directors in the late '70's. Erskine or "Erv" was an outstanding board member and we began our business relationship on a foundation of mutual respect.

My company, Flynt Fabrics, was an early customer of Bowles, Hollowell and Conner. They arranged a loan for us with the Equitable Assurance Corporation which helped fund the future of our company in the late 70's and early 80's. One of the most interesting parts of the transaction was that both of us forgot to establish the fee for his services. Erv was embarrassed to give me the bill because it should have been negotiated before we began rather than after. He was able to get us better financing than we planned but stuck with his lowest estimate as a fee.

I was so impressed with Erv's talents that I asked him to serve on our board after we finished the financing. His analytical skills were very impressive as was his understanding of the issues facing a smaller company like mine. In

Senator Dale Bumpers
April 22, 1993
Page Two

1982, Flynt Fabrics had some difficult financial times that resulted in the sale of the company to a New York Stock Exchange Company. The price we received was low because our company was losing money. Erskine advised me all the way to the conclusion of the sale and refused a fee when it was over. Although he was invaluable during that negotiation, he felt he was helping a friend out of a difficult situation and he didn't want to add to the expense of the transaction. He always said he knew I would do the same for him. He was right.

I bought my company back from Ti-Caro in 1985 and again, Erv was my advisor and advocate. He helped me work my way through the financing details that were required and the only reward he wanted was to see me own my company again.

Over the years Erv has been one of my most trusted and reliable advisors. He always has time, even when there is none to spare, to help a friend. Those who can count on him as a friend feel very fortunate, as I do.

One of the key ingredients of Erskine's success over the years has been his commitment to the success of anything he is a part of. His resume surely lists his participation in many activities but in my experience with Erskine, if he agrees to participate, his participation makes a difference.

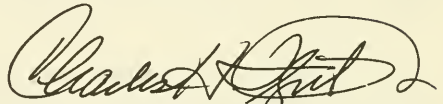
Another thing you can count upon from Erv is unflinching honesty and openness. If you want to hide behind the problems and want to keep secret the essential elements of the S.B.A., Erv is not your man. On the other hand, if hard work, total honesty and commitment are high on your list, he is the person you are looking for. He understands business thoroughly, large and

The Honorable Dale Bumpers
 April 22, 1993
 Page Three

small, and would be an asset to the S.B.A. or any other organization he supports. He thinks the S.B.A. is an opportunity to serve our nation in a meaningful way. I hope your committee will approve his nomination.

He will certainly be an asset to the Clinton administration and the Democratic Party.

Very truly yours,



Charles H. Flynt, Jr.

CHF/smn

James E. S. Hynes

April 15, 1993

1993 APR 19 PM 3:16

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

It is a great privilege and with much enthusiasm I write to recommend the confirmation of Erskine B. Bowles to become Administrator of the SBA.

I have known Erskine for most of his adult life, and he is one of the most outstanding individuals with whom I have ever come in contact. First, he is a wonderful human being, sensitive to the feelings of others. In addition, he is diligent, intelligent, and extremely hardworking.

I have seen Erskine start as a one man operation and grow to become the investment banking firm that everyone I come in contact with believes to be the highest quality in the Southeast. Young person after young person has come to me seeking information of how they could be accepted into the firm. In my judgement this has all happened because of Erskine's personal qualities, as well as his immense knowledge of finance and business. I have had the good fortune for Erskine to serve as an Advisor to my firm for many years, and his sense of small business and what it takes to compete in the competitive environment of the 90's will make him an outstanding Administrator of the SBA.

Being a small businessman myself, I believe that small business is the backbone of our democracy and am extremely enthusiastic about Erskine Bowles serving in order to enable more people to enjoy the American dream. It is, therefore, with great pleasure that I respectfully encourage you to confirm Erskine Bowles as I believe him to be one of the most outstanding Americans of his generation. Should you require additional information or references, I would be only too happy to comply.

Sincerely,

James E. S. Hynes

James E. S. Hynes

First Union Corporation

One First Union Center, 40th Floor
Charlotte, North Carolina 28288-0003
704 374-6059

John R. Georgius
President

1993 APR 28 PM 3:04

April 21, 1993

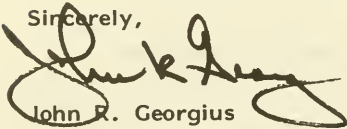
The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Bumpers:

I am pleased to send a letter of recommendation for my associate, Erskine B. Bowles, who served with me as Vice President for Public Affairs at the Charlotte Chamber of Commerce during 1989. Mr. Bowles served with particular distinction during this time, set clear goals and objectives for his team, and accomplished what he set out to do.

He has the ability to be very tactful under pressure and as a consensus builder without compromising his standards for quality. In addition to working with Mr. Bowles in this capacity, I have known him from a business perspective for a number of years and without hesitation would love to have him on my team for any difficult or complex project.

Sincerely,



John R. Georgius



242 Trumbull Street
Hartford, CT 06156

P. Wayne Moore
Investment Officer
Strategy & Policy Group
(203) 275-3643
(203) 275-4324 fax

1993 MAY -6 AM 10:04

April 24, 1993

The Honorable Dale Bumpers
United States Senate
Dirksen Building, Room 229
Washington, DC 20510

Dear Senator Bumpers:

Having been born and raised in North Little Rock, I am extremely proud that our Governor is now President of the United States of America. Importantly, however, recent weeks have clearly shown that major efforts will be necessary in order that the President's programs will be successfully implemented. In my opinion, the U.S. economy is our number one priority, and I'm sure we can agree that, as small business goes, so goes the economy. Therefore, it is vital that the leadership of the Small Business Administration be entrusted to someone who understands the myriad factors affecting the small businessman, perhaps most importantly, ready access to capital. In nominating Mr. Erskine B. Bowles, the President has made a choice which I strongly and wholeheartedly endorse.

I have had the opportunity to work with Mr. Bowles' firm, Bowles Hollowell Conner & Co. In virtually all key categories (responsiveness, creative roadblock resolution, evenhandedness between lender and borrower, integrity and candor) I found the firm superior to the usual Wall Street intermediaries with which we usually deal. Upon meeting and getting to know Mr. Bowles myself, I recognized that the firm's professionals handle transactions as they have learned from him and the other founding principals. We would be well served with the leadership of a man who has built a company from scratch and who has had the opportunity to work with all types of businesses all over the country. Mr. Bowles will bring energy, focus and supreme commitment to the challenge of leading the SBA at this critical time where it must function with increasingly limited resources. He thoroughly understands the issues.

Given his long-standing work to improve his community, I believe it can be said that Mr. Bowles is a "people person" who genuinely cares to serve and to be of assistance. He will not politicize the process, nor curry personal favors among the many seeking his attention. Senator, I simply cannot think of anyone better suited than Mr. Bowles. I would be eager to support his efforts.

Finally, I want to pass along the regards of your recently former aide, Elizabeth Goss. She has been my close friend through Ole Main High School and Harvard. I told her I would be writing to you and she said that I should mention her and say that practicing law is terrific! Thanking you kindly, I am

Sincerely yours,

P. Wayne Moore

1993 MAY -6 PM 12:08
 Thomas H. Lee Company 75 State Street, Boston, Massachusetts 02109 Telephone 617-227-4050 Fax 617-227-3514
 April 30, 1993

The Honorable John F. Kerry
 United States Senate
 421 Russell Senate Office Building
 Washington, DC 20510

Dear John:

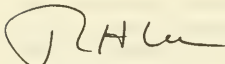
We would like to relate to you our enthusiasm over the selection of Erskine Bowles as Administrator of the Small Business Administration. We know that you receive many of these letters in the course of confirming President Clinton's appointment. We would like to ask you to pay special attention to this letter because we know Erskine well and consider him to be a superb selection by the President.

Erskine, as you probably know, has been Chairman of the Bowles, Hollowell firm in Charlotte, N.C. In that capacity, he has served as agent, advisor, and financier for a broad variety of small and medium-sized businesses all across the country. In addition, he is a founder of the firm itself, which he built into one of the nation's leading regional investment firms. His reputation and that of his firm is impeccable, and his track record is first-rate. He understands what is required to start businesses and to facilitate the growth of small businesses nationwide.

You might also know that Erskine possesses more than the usual amount of political skills. He has been very active in North Carolina politics and was one of the President's early supporters and most productive fundraisers in the Southeast. Glenn worked with him during the campaign and was immensely impressed by the extent of the time and quality of the effort Erskine expended in the President's election.

In short, we highly recommend Erskine to you and hope you will look favorably on his confirmation. If we can be of any help to you in the process, please let us know.

Sincerely,



Thomas H. Lee
 President



Glenn H. Hutchins
 Managing Director

cc: The Honorable Dale Bumpers

**PINNACLE FINANCIAL INCORPORATED**

May 5, 1993

The Honorable Senator Dale Bumpers
The United States Senate
Washington, D.C. 20510

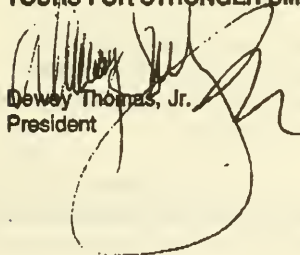
SUBJECT: SBA Nominee, Erskine Bowles

Dear Senator Bumpers:

As a small business owner and acting as a small business advocate for the past 25 years, I, along with my business associates have a very strong interest in the selection of the United States Small Business Administrator.

I have had the opportunity to speak and correspond in writing with Erskine Bowles, SBA Administrator Nominee, about small business issues. In addition, I have spoken with several business persons in North Carolina about his past small business activities. All of my findings have been very positive; therefore, my associates and I strongly recommend and support his Senate Confirmation as the Administrator of the U.S. Small Business Administration.

YOURS FOR STRONGER SMALL BUSINESS PROGRAMS,



Dewey Thomas, Jr.
President

THE HARRIS GROUP

Rotunda Suite 200
4201 Congress Street
Charlotte North Carolina 28209

704. 556. 1717 Telephone
704. 552. 9944 Fax

1993 MAY -9 AM 3:58

May 5, 1993

The Honorable Dale Bumpers
United States Senate
229 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Bumpers:

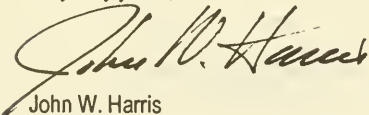
I was pleased to learn that Erskine B. Bowles, one of my very closest friends, is being considered for the job as Administrator of the Small Business Administration. I have known Erskine for over 25 years and had the opportunity to work with him in many different arenas. First, from a business standpoint, and secondly, as the Treasurer of the Charlotte Chamber of Commerce during my Chairmanship. Not only did he install a whole new budgetary process for the Chamber, he improved the report mechanisms so our 4,000 members could keep better abreast with the day to day financial condition of their organization.

Erskine is a man of highest integrity and is the kind of person who will take whatever time necessary to get the job done in an intelligent and professional manner. I wholeheartedly endorse his consideration as the Administrator of the Small Business Administration and hope that his confirmation will move through the process in a speedy fashion.

If you have any questions concerning our relationship, or if I can be of any further service to you and the United States Senate during the confirmation hearings, please don't hesitate to let me know. If at some point you think it would be important to the process, I am prepared to appear personally in Washington before you if necessary.

With warmest regards, I am

Very truly yours,



John W. Harris
President

JWH/ss

THE HILLMAN COMPANY

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PITTSBURGH, PENNSYLVANIA 15219 203 MAY 12 AM 11:49

TIMOTHY O. FISHER
VICE PRESIDENT

May 10, 1993

The Honorable Harris Wofford
 United States Senate
 277 Russell Senate Office Building
 Washington, DC 20510

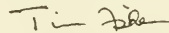
Dear Senator Wofford:

I am writing to request your support for the nomination of Erskine B. Bowles to be the next Administrator of the Small Business Administration.

As you are aware, small companies fueled much of the economic expansion and job growth during the 1980s in this Country. This important, but often overlooked, sector of the economy will play a vital role in the 1990s as well -- particularly in light of the serious financial problems many large corporations such as IBM, General Motors and Westinghouse are currently experiencing.

I have worked with Erskine Bowles and his investment firm on a number of occasions over the past decade. He is a very capable business man and is extremely well qualified to serve as Administrator of the SBA. I wholeheartedly endorse Erskine's nomination and hope you will do the same.

Sincerely,



Timothy O. Fisher

TOF:de

cc: The Honorable Dale Bumpers

THE
DYNISCO
COMPANIES

Dynisco

KAYENESS

May 3, 1993

NORMAG

KORR

The Honorable John F. Kerry
United States Senate
421 Russell Senate Office Building
Washington, DC 20510

Dear Senator Kerry;

I am writing to you expressing strong support for Erskine B. Bowles, President Clinton's nominee as Administrator of the Small Business Administration.

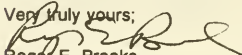
I have known Mr. Bowles since 1986 when he and his associates assisted in selling our company to its present owner. At that time we had 200 employees and considered ourselves a "small business." Erskine is one of those special individuals who understands the people side of smaller business and was interested in our future, our employees, and helping us find a supportive new owner. It's testimony to his skill and interest that today we have the owner Erskine helped us find and we are much larger with 450 employees.

I know from our involvement then and from our continuing dialogue through the years that Mr. Bowles has been in close contact with small and medium size businesses and has seen many of them up close. This clearly gave him excellent experience in understanding the issues that small business owners face, and perhaps more important, being able to see a business worthy of government funds or guarantees.

I believe Mr. Bowles is an individual of very strong ability and also of the highest standards. He and his associates are known for their honesty and have the highest reputation in the part of the industry they serve. With the challenges faced in Washington today, I urge you to speedily confirm Mr. Bowles for this important position.

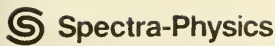
Please don't hesitate to contact me if you have any questions or would be interested in further comments.

Very truly yours;


Roger E. Brooks
President and CEO

Group
Headquarters:
Four Commercial Street
Sharon, MA 02067
617-784-8400
Telex: 174292
Fax: 617-784-7950

1993 MAY 12 AM 11:52



Lawrence C. Karlson
Chairman of the Board

393 MAY 11 AM 9:13

April 23, 1993

The Honorable Carl Levin
United States Senate
459 Russell Senate Office Building
Washington, DC 20510

RE: Nomination of Mr. Erskin B. Bowles

Dear Senator Levin,

I'm writing on behalf of Mr. Erskin Bowles and wish to urge you to support his nomination as the next Administrator of the Small Business Administration.

I have known Mr. Bowles for approximately nine years and during this period, worked with him and his firm on several projects. In each and every case, Mr. Bowles and his organization were able to complete the transactions ahead of schedule and with results that exceeded my expectations. Three of the things that I was particularly impressed with were: the quality of people Mr. Bowles has recruited for his company, the efficiency with which they conduct their business and the integrity and sense of fairness that prevails throughout the organization. Knowing the Bowles organization as I do, this has come about, in no small part, as a result of the ability, leadership talent and ethics of it's founder and Chief Executive, Erskin Bowles.

On several occasions, I have recommended Mr. Bowles' Company to other business associates and will continue to do so. In fact, after having worked with numerous investment banking organization in the USA and Europe, I have concluded that Bowles Hollowell Conner are the finest investment bankers anywhere, focusing on the small to medium size transaction market.

Spectre-Physics AB
Box 5226 (Sturegatan 32)
S-102 45 STOCKHOLM, Sweden

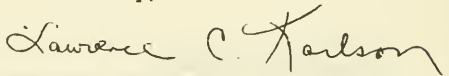
Telephone
(46) 8-783 07 25

Telefax
(46) 8-660 92 26

The Honorable Carl Levin
April 23, 1993
Page 2

In my view, Mr. Bowles would make an outstanding Administrator of the Small Business Administration. I urge you and your fellow senators to quickly confirm his appointment. Should you wish to discuss my recommendation and endorsement of Mr. Bowles with me personally, please feel free to contact me at the address and telephone number listed below.

Yours truly,



Lawrence C. Karlson

LCK:jek

cc: ~~The Honorable Dale Dampier~~
United States Senate
299 Dirksen Senate Office Building
Washington, DC 20510

Address in the U.S.
595 Skippack Pike, Suite 300
Blue Bell, PA 19422
(215) 641-9330
(215) 641-9334 (Fax)

FAIRWAY FARMS INC.

556 South Carbondon Road
 Sanford, North Carolina 27330-8701
 Phone: 919/947-3412
 FAX: 919/947-1765

W. C. Boren III, President
 Home: 919/692-2659

1993 APR 30 10 41 AM
 W. C. Boren III, D.V.M., M.B.A.
 Vice President, General Manager
 Home: 919/692-3851

April 28, 1993

The Honorable Dale Bumpers
 United States Senate
 229 Dirksen Senate Office Building
 Washington, DC 20510

Dear Senator Bumpers:

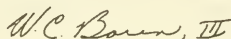
I am writing this letter to recommend my dear friend Erskine B. Bowles in behalf of your Committee to become Administrator of Small Business Administration.

I have known Erskine since he was born in Greensboro, North Carolina and have pretty much followed him throughout his schooling including his Masters at Columbia University. I have nothing but praise and admiration for him, including his wonderful business accomplishments since he entered his profession and being president of Bowles, Hollowell, Conner & Company. He has guided his company from its beginning as a very small company to become a leader today in the mortgage banking field. His knowledge of his industry is evident by all he has accomplished.

I have had personal experience with Erskine through the sale of three companies that would come under the category of "Small Business". In all cases he handled the situation for both the buyer and the seller with the greatest skill, tact and to the satisfaction of all parties.

Your very favorable consideration of the appointment of Erskine B. Bowles will greatly add to President Clinton's administration.

Sincerely,



W. C. Boren, III

WCB/efm



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CONSULTANTS • MANAGEMENT SERVICES • FOOD SERVICES
April 22, 1993

Office of the President

Larry Shaw
VIA FEDERAL EXPRESS

The Honorable Dale Bumpers
Chairman
Small Business Committee
229 Dirksen Senate Office Bldg.
Washington, D.C. 20510-0401

Dear Mr. Chairman:

It gives me tremendous pleasure and pride to have this opportunity to voice my support and to recommend Erskine Bowles, the Presidential nominee for Administrator of the Small Business Administration. Mr. Bowles has the kind of experience in business & management that proves he is qualified to lead the Small Business Administration in all respects.

As a minority businessman for some twenty years, I find it refreshing that Mr. Bowles, a person of impeccable character and unparalleled capabilities has been singled out to lead the SBA into the 21st Century. It is especially gratifying that we have a nominee who comes from a family that whose member have long and distinguished careers as "servants of the public". The additional facet of Erskine being a small business owner becomes a tangible asset which translates into a facility for a special understanding of the needs for the recipients who are provided services by the SBA.

As a highly successful business owner, Erskine will bring multifaceted dimension and creative skills which will foster a "can do" philosophy in an agency which has been plagued in the past by the stigma of "treadmill bureaucracy". The leadership and vision that is badly needed, to address and combat the traditional attitudes and morale, that prevail within the agency, can be accomplished with Mr. Bowles confirmation. We know that he will assemble a management team that will reach into the agency as well as into the marketplace of small business owners to fashion solution.

The Honorable Dale Bumpers, Chairman

April 22, 1993

Page 2

Mr. Chairman, without doubt or reservation, myself and many others in the small business community lend our support to the nomination and confirmation of this outstanding young man.

I thank you for taking time to hear our views on this matter.

Very sincerely,

Larry Shaw

Larry Shaw

cf: Mr. Erskine Bowles

**STATEMENT OF ERSKINE B. BOWLES, ADMINISTRATOR-
DESIGNATE, U.S. SMALL BUSINESS ADMINISTRATION**

Mr. BOWLES. Thank you, Mr. Chairman. Someone asked me today if I was nervous. And I told them no, absolutely not. And then I promptly introduced my daughter Annie as my son Annie.

[Laughter.]

Mr. BOWLES. And so I am not sure I can live up to that. My family is here with me. It is a big family. And I am very proud to have them here.

First my mother, Jessamine, is here.

The CHAIRMAN. Would you stand, please.

Mrs. BOWLES. It will not count against him, will it?

[Laughter.]

Mr. BOWLES. My wife, Crandall, is here and with names like Jessamine and Crandall and a father's name like Hargrove and a name like Erskine, we named our three children Sam, Ann and Bill.

They are also here. Sam is 18 and ready for me to move to Washington. Annie is 17 and Bill is 15. And they are both—

The CHAIRMAN. Why don't you both stand and let the audience see you. Would you please? Oh, three, I am sorry.

Well, Erskine, you have a beautiful family.

The first time I ran for Governor, we were doing a state-wide television show with my family. We had a fellow who was sort of emceeding the thing and—but in any event, I was introducing my family to the State. I was totally unknown at the time. And I got to my son who had just turned 14, and I said, this is Bill and he is 13. And he just had a birthday a couple of days before. And you know what, that just destroyed him. He thought he would never recover from that.

Mr. Bowles, we are most anxious to hear your testimony, but I do want to say to the other Members of the Committee, I have looked over Mr. Bowles' financial statements, and I looked over the FBI report as carefully as I could, and I can tell you that nothing in there would change your vote one scintilla.

It was a flawless report and it said what everyone said preceded Mr. Bowles at the table this afternoon.

We look forward to your truly great leadership, Erskine, of the Small Business Administration. We are very anxious to have your statement.

Mr. BOWLES. Thank you very much, Mr. Chairman.

The CHAIRMAN. Erskine, pull that up close. There is one thing I noticed in Moscow. Their speaker systems work better than ours do.

Mr. BOWLES. Is that better?

The CHAIRMAN. Better.

Mr. BOWLES. Thank you very much, Mr. Chairman, Senator Presler and members of the Committee. I do want to take a chance to thank Senator Helms and Senator Faircloth, as well as Congressman McMillan and Congressman Watt.

As Senator Helms and Senator Faircloth both said, they have been long-time friends of my family. And both Congressman Mc-

Millan and Congressman Watt have been close friends of mine for the last 10 years.

I also clearly am delighted that my family could be here today. The remarks that the delegation from North Carolina made certainly did make me awfully proud.

Mr. Chairman, I would like to summarize if that is okay and request that the whole statement be included in the record.

The CHAIRMAN. By all means. Your statement will be submitted for the record.

Mr. BOWLES. Thank you. Senators, 18 years ago, I founded an investment banking firm focused on meeting the corporate finance needs of small and medium-sized companies and small and medium-sized divisions of larger companies.

Since that time, I have closely with literally hundreds of small business people from throughout this country. As a small business owner and advisor to small businesses, I believe that I have a keen appreciation of the role and the important role that small business plays in the U.S. economy.

President Clinton similarly recognizes the absolutely critical contribution that small business plays to our country. As such, I am deeply honored that the President has nominated me to head the Small Business Administration.

This position provides me with that unique opportunity to both serve my country and at the same time utilize those business skills that I have worked so long and hard to develop over the last 24 years.

And Senators Helms and Faircloth both told you, I have been blessed by having two wonderful parents who instilled in me a real work ethic as well as a real sense of right and wrong.

As a child I often had the opportunity to accompany my dad as he endeavored to turn ideas into new businesses. These ideas became new companies ranging from businesses as diverse as a brick company, a boat company, a housing company, a small community bank and a mortgage guaranty company.

My dad liked to identify promising industries and equally promising management teams who are willing to invest their time and talent in order to earn a piece of the action.

Through my observations of my father's work, I developed an understanding of good ideas and entrepreneurship, as well as an appreciation for the role that capital plays in developing successful ventures.

I also became acutely aware that successful ventures create jobs and they create opportunities for the people who live within the communities where the companies are located. Therefore, I focused my education and early career on the study of business and finance.

I pursued undergraduate business studies at the University of North Carolina at Chapel Hill and received a masters of business administration from Columbia University, New York.

Upon graduation from Columbia, I immediately went to work for Morgan Stanley and Company, which was and is one of the premier investment banking firms in this country. While I was at Morgan Stanley, I recognized that the corporate finance needs of small and medium-sized companies and small and medium-sized di-

visions of much larger companies were largely ignored by Wall Street firms.

I believed that there was a void in the marketplace, but an investment banking firm focused—and I want to stress focused—on small and medium-sized companies could be tremendously successful.

In 1975, I started just such a company and subsequently assembled a group of people who had a high degree of experience and expertise in areas like law, accounting, taxation and corporate finance and I assembled those people to fill that void.

Consistent with the experiences of many of my fellow small business people from throughout this country, it was not easy to turn a good idea into a thriving business. In my first year as a sole proprietor with no full-time employees, I had revenues of \$5,000. Senators, that is revenues, not profits.

With all my great Wall Street experience, I had believed that the world would beat a path to my door. It did not. I was wrong.

Over time I was proven to be correct. The firm I started as a sole proprietor has grown to become one of the largest independent investment banking firms in this country, focusing exclusively on the needs of small and medium-sized companies.

Today, we have over 60 full-time employees and have established a national reputation for rendering the absolute highest quality work in our industry. As you can probably tell, I am very proud of what I started and helped to build at Bowles Hollowell Conner.

My intent is to carry forward to the SBA the same focus and principles I have utilized throughout my business career. As Administrator of the SBA, should you confirm me, I will focus my initial efforts on improving the management and outreach of the Small Business Administration.

I want to stress those two words again, management and outreach. Several of you talked about that in your opening remarks.

The President and the Congress have made it absolutely clear that government must get serious about deficit reduction. The SBA must do its part and the President's budget calls for a significant reduction and expenditures at the SBA from fiscal 1993 to fiscal 1994. There is no question that we at the SBA are going to have to work harder. We are going to have to work smarter. And we are going to have to streamline that agency.

Budget restraint is a fact of life in America today. Over the last several years, almost every single client of our firm has had to rationalize his or her business in this manner. And I recognize that government in general, and the SBA in particular, similarly must tighten its belt.

At the same time, the demand for the services provided by the SBA has never, ever been higher. If in the face of these declining resources, the SBA is going to be successful in meeting the increased demand to help small business create and sustain the jobs our economy needs, then the agency must—and I want to stress must—operate more efficiently and more effectively. This is simply good management.

With regards to outreach. I am determined to take every opportunity to try to listen—and I want to stress listen—to the needs of the small business people from throughout this country.

During my tenure as administration, should you confirm me, the SBA will serve as a listening post for small business to voice issues and concerns. Small business owners must be confident that their thoughts and ideas will be conveyed to the President such that prior to making any decision, the President will be fully aware of the impact that decision can have on small business, the engine that drives the economic train in this country.

President Clinton wants the input of small business and he has promised me that small business will have a seat at the economic table in his administration.

Senators should you confirm me, the first thing that I will do as Administrator of the SBA is go to the marketplace and meet with the customer. And I hope you noticed I used the word customer. And by that I mean the men and women who operate small business from throughout this country.

The President wants me to hear first hand the concerns of small business in a series of town hall meetings that will be held throughout America. Following completion of these meetings, I will report directly to the President small businesses concerns as well as their suggested policy initiatives.

Senators in summary, my vision for the Small Business Administration does reflect my business background. It reflects a leaner, more efficient, more effective organization, an organization focused on meeting the needs of small business and an organization that champions—and I do mean champions—the needs of small business at the highest levels of government, ensuring that small business has a place at the economic table.

Senators I hope you will confirm my nomination and thereby give me the opportunity to lead the charge at the SBA. This is a challenge for which I have clearly spent my entire life preparing.

Thank you very much. I am excited about the opportunity to work with and learn from the members of this Committee.

[The prepared statement of Mr. Bowles follows:]

PREPARED STATEMENT OF ERSKINE B. BOWLES

INTRODUCTION

Thank you very much Mr. Chairman, Senator Pressler, and members of the Committee. I especially want to thank Senator Helms, Senator Faircloth, Congressman Mckillan and Congressman Watt. Both Senators Helms and Faircloth have been close friends of my family for years. Congressmen Mchillan and Watt have been close friends of mine for the last ten years. I am delighted my family can be in attendance so they could hear these generous recommendations for my confirmation. I'd like to introduce my family to you.

Eighteen years ago, I founded an investment banking firm focused on meeting the corporate finance needs of small and medium-sized companies. Since that time I have worked closely with literally hundreds of small business people throughout this country. As a small business owner and an advisor to small business, I have a keen appreciation for the important role of this sector in the U.S. economy. President Clinton similarly recognizes the contribution of small business to our economy. They create most of the new jobs generated and they permit both workers and managers to get a piece of the American Dream.

I am honored that President Clinton has nominated me to head the Small Business Administration—an agency which provides small businesses with essential services. This position provides me the opportunity both to serve my country and to utilize the business skills and understanding of small businesses that I have worked so long and hard to develop over the last 24 years.

MY FATHER

As Senator Helms and Senator Faircloth have told you, I have been blessed by having two parents who instilled a real work ethic in me. As a child, I often watched my father turn his ideas into new businesses. These ideas became new companies including a brick company, a boat company, a housing company, a community bank, and a mortgage guaranty company. My father liked to identify promising industries and equally promising management teams who were willing to invest their time and talent in order to earn a piece of the action. He tried to make sure that each of these companies was sufficiently capitalized to reach their growth and profit potential. He enjoyed expanding these businesses from small, start-up companies with big ideas to medium-sized and larger companies with growing profits and growing payrolls.

As a kid, I had a chance to work with my father in places as diverse as a bee hive kiln in a brick plant to the vault of a small community bank making change. Through my observation of my father's work, I developed an understanding of good ideas and entrepreneurship as well as an appreciation of the role that capital plays in developing successful ventures. I also became acutely aware that successful ventures create job and opportunities for the people who live in a community. Therefore, I focused my education and early career on the study of business and finance.

MY BUSINESS BACKGROUND

I pursued undergraduate business studies at the University of North Carolina in Chapel Hill and received a Masters of Business Administration degree from Columbia University in New York. Upon graduation from Columbia, I went to work at Morgan Stanley & Co., which was, and is, regarded as one of

While at Morgan Stanley, I recognized that the corporate finance needs of small and medium-sized companies were largely ignored by Wall Street firms. I believed there was a void in the marketplace and an investment banking firm focused on small and medium-sized companies could be tremendously successful. In 1975, I started such a company and subsequently assembled a group of people with significant expertise and experience in areas such as law, accounting, taxation, and corporate finance to fill this void.

Consistent with the experiences of many small business people throughout this country, it was not easy to turn a good idea into a thriving business. In my first year as a sole proprietor, with no full time employees, I had revenues of \$5,000. That's revenues, not profits. With all my Wall Street experience, I believed the world would beat a path to my door. It didn't. I was wrong. Entrepreneurs who built companies from their infancy to become \$10 to \$20 million enterprises would not entrust the most important financial transaction of their life to a 29 year-old-boy. However, I believed I could win that first assignment if I simply persisted in presenting prospective clients with the highest quality work, a reasonable estimate of what I could do, and completed the work within the time promised. That first job was hard to get, but the second and third assignments were materially easier to earn. Once I developed a list of satisfied clients who could recommend my work, based on the quality of the service I had rendered, I knew my company would grow.

The firm I started as a sole proprietor has grown to become one of the largest independent investment banking firms in the country focusing exclusively on the financial needs of small and medium-sized companies and small and medium-sized divisions of larger companies. Today we have over 60 employees and have established a national reputation for rendering the absolute highest quality service. We have built our firm based on only two principles. One is quality, and the other is mutual respect.

The quality of our work is evidenced in everything we do. It is perhaps best reflected by the numerous clients who provide us with referrals and repeat business. Our other guiding principle is mutual respect. It is no secret that historically I have been the majority shareholder of our firm. However, we haven't made decisions in our firm based on ownership. We have made them based on mutual respect. My belief has always been that if you surround yourself with good people, you had darned well better listen to them. As you can probably tell, I am proud of what I started and helped to build at Bowles Hollowell Conner & Co.

LEADERSHIP FOR THE SBA

My intent is to carry forward to the 58A the same focus and principles I have utilized in my business career.

As Administrator of the SBA, I will focus my initial efforts on improving the management and outreach of the Small Business Administration. The President and

the Congress have made it clear that government must get serious about deficit reduction. The SBA must do its part, and the President's budget calls for a significant reduction in expenditures from fiscal 1993 to fiscal 1994. There is no question that we are going to have to work smarter, and harder, and streamline this agency. Budget restraint is a fact of life in America today. Over the last several years, almost every client of our firm has had to rationalize his or her business in this manner, and I recognize that government in general, and the SBA in particular, must similarly tighten its belt. At the same time, the demand for the services provided by the SBA has never been higher. If, in the face of declining resources, the SBA is to be successful in meeting the increased demand to help small business create and sustain job opportunities, then the agency must operate more efficiently and effectively.

To become a more efficient and effective organization, there are several things we must do:

First, we must begin from day one to build a cohesive team at the SBA and restore the pride that this agency felt in its accomplishments in the 1950s, 1960s and 1970s. For the last several weeks I have met and worked with a number of the career staff at the 58A, and I can unequivocally tell you that I will be proud to become their Administrator. I hope to provide to these dedicated people the kind of enthusiastic and energetic leadership that will enable the 58A to make quantum leaps forward.

Second, we are going to have to refocus, reorganize, and restructure the 58A in order to deliver, in a more efficient and effective manner, the service that the small business person needs to start, manage and expand a business. We have neither the dollars nor the people to be all things to all people, and as a consequence, we will have to focus our efforts on those areas that enable us to accomplish our mission of aiding, counseling, assisting and protecting small business.

Third, the 58A must become more "user friendly." We must not lose sight of the fact that the small business person is our customer, and we are here to provide them a service. We must improve our turnaround time in processing loans, adopt a can-do attitude, and eliminate the unnecessary paperwork that reduces small business productivity.

Fourth, we must work to re-invent the government services provided by 58A and other agencies of the federal government. Where there is duplication and waste, we must be prepared to recommend to the President and the Congress that some small business services be transferred to, or from, the SBA.

With regard to outreach, I am determined to take every opportunity to listen to the needs of small business people throughout the United States. Small business owners must be confident that their thoughts and ideas will be conveyed to the President, so that prior to making any decision, the President will be fully aware of the impact that decision can have on small business—the engine that drives the economic train of this country. President Clinton wants the input of small business and he has promised me that small business will have a seat at the economic policy making table.

Should you confirm me, the first thing I will do as SBA Administrator is go to the marketplace and meet with the customer—the men and women who operate small businesses throughout the country—in a series of town hall meetings. The President wants me to hear their concerns firsthand. Upon completion of these meetings, I plan to report these concerns as well as suggested policy initiatives directly to the President.

Senators, my vision for the Small Business Administration reflects a leaner, more efficient and effective organization focused on meeting the needs of small business, and an organization that champions the needs of small business at the highest levels of government, ensuring that small business has a place at the economic policymaking table.

Recently, a reporter asked me if I was concerned about the current reputation of the SBA, and I told her, as I will tell you now, absolutely not. However, I am very concerned about what that reputation will be four years from today. The position of SBA Administrator has turned over frequently in the past. This is unfortunate. This agency needs leadership, and it needs consistent leadership. I look forward to the challenges and the opportunities that lie ahead and have conveyed to the President my commitment to this position. I am confident that all of us working together at the SBA, as one team, can refocus and reinvigorate the SBA and restore a sense of pride to this agency. Senators, I hope that you will confirm my nomination and thereby give me the opportunity to lead the charge at the Small Business Administration. This is a challenge for which I have clearly spent my life preparing.

Thank you very much. I am excited about the opportunity to work with the members of this Committee and your colleagues in the House and Senate. I will be delighted to answer any questions.

[Copy of resume submitted to follow:]

NOMINATION REFERENCE

As in executive session,
Senate of the United States,

April 28, 1993

Ordered, that the following nomination be referred to
the Committee on Small Business:

(See attached--PN283)

PN283

The White House,

19

*To the
Senate of the United States.**I nominate* Erskine B. Bowles, of North

Carolina, to be Administrator of the Small Business
Administration, vice Patricia F. Saiki, resigned.

WILLIAM J. CLINTON

PN3

NOMINATION REFERENCE AND REPORT

AS IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
January 4, 1991.

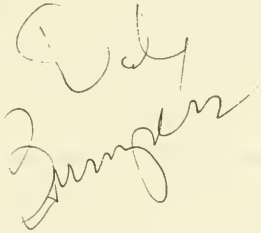
Ordered, that the following nomination be referred to the Committee on Small Business:

James F. Hoobler, of New York, to be Inspector General, Small Business Administration, vice Charles R. Gillum, resigned.

March 22, , 1991.

Reported by Mr. Bumpers with the
recommendation that the nomination be *confirmed*.

The above nomination was approved subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

A handwritten signature in dark ink, appearing to read "Rudy Zungge". The signature is written in a cursive, flowing style. The first name "Rudy" is on the top line, and the last name "Zungge" is on the bottom line, with a long horizontal stroke extending from the end of the last name.

T3
Lan: 111
C. C. 1.1.1
11/11/11

**UNITED STATES SENATE
COMMITTEE ON SMALL BUSINESS
STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES**

A. BIOGRAPHICAL DATA

NAME: Bowles (Last)	Erskine (First)	Boyce (Other)	
POSITION TO WHICH NOMINATED: Administrator - Small Business Administration		DATE OF NOMINATION:	
DATE OF BIRTH: 08 Day 08 Month 45 Year		PLACE OF BIRTH: Greensboro, NC	
MARITAL STATUS: Married	SOCIAL SECURITY NUMBER: 240-70-1452	FULL NAME OF SPOUSE: Crandall Close Bowles	
NAME AND AGES OF CHILDREN			
Name/Age	Name/Age		
Samuel Boyce Bowles - 18			
Anne Erskine Bowles - 17			
William Hargrove Bowles - 15			
EDUCATION:			
Institution	Dates Attended	Degrees Received	Dates of Degrees
University of N.C.	1963-1967	B.S.-Business Admin.	6/67
Columbia University	1968-1969	M.B.A.	5/69
EMPLOYMENT			
List below all positions held since college, including the title and description of job, name of employer, location and dates. If it would simplify this question for you, you may attach a copy of page 3 of the SF-86 instead of listing the information below. Please clearly indicate that you have selected this, if you do, below.			
1) Morgan Stanley & Co. - New York, NY - 1969-1972 - Associate-Corp. Finance			
2) Bowles For Governor Campaign - Raleigh, NC - 1972 - Office Manager			
3) Interstate Securities Corp. - Charlotte, NC - 1973-1975 - VP Corp. Finance			
4) UNC-Charlotte - Charlotte, NC - 1975-1976 - Instructor-Finance			

EMPLOYMENT (Continued)

5) Bowles Hollowell Conner & Co. - Charlotte, NC - 1975-present -
Chairman and Chief Executive Officer

Please see resume attached hereto for job descriptions

MILITARY SERVICE

Describe any military service not listed above, including dates, rank and type of discharge

United States Coast Guard Reserve - 1967-1973 - E-5 enlisted personnel -
Honorable Discharge - Selected Honor Man of Company - Selected for
U.S. Coast Guard Honor Guard

HONORS AND AWARDS

List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

McKinsey Scholar - Columbia University Graduate School of Business

MEMBERSHIPS

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Dates	Office Held (if any)
Young Presidents Org.	1989 to present	Member
Christ Episcopal Church	1979 to present	Member
Charlotte City Club	1985 to present	Member
Quail Hollow Country Club	1975 to present	Director

ERSKINE B. BOWLES

6725 Old Providence Road
Charlotte, North Carolina 28226
Phone: 704/364-1279

PERSONAL:

Wife: Crandall Close Bowles
Children: (3) Samuel Boyce Bowles, age 18
Anne Erskine Bowles, age 16
William Hargrove Bowles, age 15

Date of Birth: August 8, 1945

EDUCATION:

COLUMBIA UNIVERSITY - GRADUATE SCHOOL OF BUSINESS
Master of Business Administration Degree
May 1969
Concentration in Finance

McKinsey Scholar; President of Student Government;
Recipient of Business School Service Award "For Outstanding Leadership,
Exemplary Personal Conduct and Service to the School"

UNIVERSITY OF NORTH CAROLINA
Bachelor of Science Degree
June 1967
Concentration in Business Administration

WORK EXPERIENCE:

BOWLES HOLLOWELL CONNER & CO.
Charlotte, North Carolina
1975 - Present
Chairman and Chief Executive Officer
Bowles Hollowell Conner & Co. is a 52-person investment banking firm engaged
in the private placements of equity and debt issues, mergers and acquisitions,
valuations, industrial revenue bond financing and off balance sheet financing for
corporate clients.

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE
Charlotte, North Carolina
1975 - 1976
Instructor in Finance - both on the graduate and undergraduate levels

INTERSTATE SECURITIES CORPORATION
Charlotte, North Carolina
1973 - 1975
Vice President - Corporate Finance
Responsible for investment banking function of Interstate consisting of public
offerings, private placements, off balance sheet financings, mergers and
acquisitions, and industrial revenue bond financings.

BOWLES FOR GOVERNOR CAMPAIGN
Raleigh, North Carolina
1972
Helped manage father's campaign for Governor. Ran campaign headquarters,
made speeches, represented candidate. Mr. Bowles won the Democratic
nomination but lost in the general election.

MORGAN STANLEY & CO.

New York, New York

1969 - 1972

Associate engaged in the corporate finance activities of this international investment banking firm. Areas of activity included private placement financing, public offerings, leveraged lease financing and Eurodollar financing.

MILITARY:**UNITED STATES COAST GUARD RESERVE**

1967 - 1973

E-5 Enlisted Personnel; Honorable Discharge; Voted Honor Man of Company; Selected for U.S. Coast Guard Honor Guard

**OFFICER, DIRECTOR
OR TRUSTEE:**

See attached

CURRENT BUSINESS AFFILIATIONS

COMPANY
Carolina Tractor & Equipment Co.
First Union National Bank
Hynes Sales Company
Sandpaper Fabrics
Mini Mail Enterprises

BUSINESS
Commercial tractor distributorship
Commercial bank
Manufacturer's representative
Textile printing company
Real estate developer

ADDRESS
Post Office Box 1093, Charlotte, NC 28201-1093
One First Union Center, 40th Floor, Charlotte, NC 28288-0001
P.O. Box 220948, Charlotte, NC 28222
60 Shelter Rock Road, Danbury, CT 06810
Box 5013, Monroe, NC 28110

TELEPHONE
(704) 596-8880
(704) 374-6120
(704) 363-1220
(203) 798-0918
(704) 289-6551

CONTACT
Edward L. Weisiger, Jr., President
John R. Georgias, President
James E.S. Hynes, Chairman
Leroy S. Close, President
Charles L. Hunley, President

DATES SERVED
1986 to Present Director
1986 to Present Advisory Board member
1986 to Present Advisory Board member
1987 to Present Director
1986 to Present Director

FORMER BUSINESS AFFILIATIONS

COMPANY
American Studios, Inc.
Charter Properties, Inc.
Gros-Becton USA, Inc.
Hynes Sales Company
Scottish Savings & Loan
Flynt Fabrics & Finishing, Inc.
Kitty Hawk Capital Limited Partnership

BUSINESS
Photographers at Wal-Mart
Real estate developer
Textile needle distributor
Manufacturer's representative
Savings and loan
Textile knitting company
SBIC

ADDRESS
P.O. Box 410609, Charlotte, NC 28241
129 West Trade Street, Suite 1200, Charlotte, NC 28202-2173
P.O. Box 7131, Charlotte, NC 28211
P.O. Box 220948, Charlotte, NC 28222
Greensboro, NC (merged in 1984)
3000 North Greene Street, Suite 11713, Greensboro, NC 27401
101 North Tryon Street, Suite 1640, Charlotte, NC 28246

TELEPHONE
(704) 588-4351
(704) 377-1172
(704) 302-2812
(704) 365-1220
(919) 275-7271
(704) 333-3777

DATES SERVED
1988 to 1991 Chairman
1976 to 1991 Director
1987 to 1992 Director
1973 to 1986 Director
1980 to 1983 Director
1979 to 1982 Director
1980 to 1991 Investment Committee member

CONTACT
Randy J. Bates, CEO
Walter A. White, Jr., President
Paul Foley, CEO
James E.S. Hynes, Chairman
Charles H. Flynn, Jr., President
Walter H. Wilkinson, Jr., General Partner

CURRENT NON-PROFIT AFFILIATIONS

ORGANIZATION
Juvenile Diabetes Foundation
Charlotte-Mecklenburg Hospital Authority
University of North Carolina Foundation
United Negro College Fund
Uplink, Inc.
Young Presidents' Organization

ACTIVITY
Diabetes research
Regional hospital authority
UNC Endowment
Education
Children's programs
Business group

ADDRESS
432 Park Avenue South, Suite 16, New York, NY 10016-8013
P.O. Box 12861, Charlotte, NC 28212-2861
P.O. Box 2446, Chapel Hill, NC 27514
Chapel Hill, NC 27599
4208 Six Forks Road, Suite 246, Raleigh, NC 27609
451 South Decker Drive, Suite 200, Irving, TX 75062

TELEPHONE
(212) 889-7575
(704) 335-2145
(919) 962-2393
(919) 962-2211
(919) 571-1368
(214) 650-4600

DATES SERVED
1986 to Present President
1990 to Present Commissioner
1991 to Present Finance Committee
1990 to Present Board of Visitors
1980 to Present Director
1989 to Present Member

CONTACT
Kenneth M. Faber, Executive Director
Dr. Harry A. Norkin, President
Neal B. Harrell, Vice President - Administration
Paul Herdin, Chancellor
Randy Johnston, President

FORMER NON-PROFIT AFFILIATIONS

ORGANIZATION
Johnson C. Smith University
Davidson College
Charlotte Country Day School
Virginia Episcopal School
UNC-Educational Foundation
Science Museum of Charlotte-Mecklenburg
Arts & Science Council of Charlotte-Mecklenburg
Charlotte Chamber of Commerce
N.C. Citizens For Business & Industry
Charlotte-Mecklenburg YMCA
Early Childhood Initiative

ACTIVITY
Education
Education
Education
Education
Education
Science museums
Fundraising for arts & science groups
Economic development
Economic development
YMCA
Children's programs

ADDRESS
100 Betties Ford Road, Charlotte, NC 28216
P.O. Box 1689, Davidson, NC 28016
1440 Carmel Road, Charlotte, NC 28226
P.O. Box 408, Lynchburg, VA 24505-0408
P.O. Box 4446, Chapel Hill, NC 27514-2802
301 North Tryon Street, Charlotte, NC 28202
214 North Church Street, Charlotte, NC 28202
229 West Trade Street, Charlotte, NC 28202
P.O. Box 2308, Raleigh, NC 27602
500 North Tryon Street, Suite 107, Charlotte, NC 28202
4208 Six Forks Road, Suite 246, Raleigh, NC 27609

TELEPHONE
(704) 378-1007
(704) 956-1200
(704) 366-1201
(704) 384-6271
(919) 962-2193
(704) 372-6261
(704) 372-9667
(704) 378-1100
(919) 828-0758
(704) 339-0379
(919) 571-1368

DATES SERVED
1985 to 1989 Board of Visitors
1983 to 1988 Board of Visitors
1981 to 1991 Chairman
1976 to 1979 Trustee
1979 to 1985 Trustee
1983 to 1988 Trustee
1989 to 1990 Trustee
1989 to 1992 V.P., Treasurer, Director
1989 to 1989 Director
1986 to 1991 Trustee
1990 to 1991 Chairman
1989 to 1990 Chairman

CONTACT
Dr. Robert L. Allwright, President
John W. Kirkminkoff, President
Margaret Gragg, Administrator
Charles F. Zimmer, Headmaster
Neal B. Harrell, Vice President - Administration
Freda Nicholson, CEO
Michael Narizzano, President
Carroll Gray, President
R. Stuart Dickson, President
Harry H. Brason, President
Randy Johnston, President

GOVERNMENT EXPERIENCE

List any experience in or direct association with Federal, State or Local governments, including any advisory, consultative, honorary, or other part-time service or positions.

None

POLITICAL AFFILIATIONS AND ACTIVITIES

List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the past 10 years.

Martin for Congress - Charlotte, NC - 1986 - Finance Chairman

Jordan for Governor - Raleigh, NC - 1988 - Finance Chairman

Hunt for Governor - Raleigh, NC - 1992 - Fundraiser

Clinton for President - Charlotte, NC - 1992 - Fundraiser

see attached list of political contributions

ERSKINE BOWLES
Political Contributions

9/14/83	Jordan for Lieutenant Governor	1,000
9/14/83	Spaugh for City Council	100
4/3/84	Knox for Governor	1,000
6/20/84	Knox for Governor	1,000
8/30/84	Jordan for Lieutenant Governor	1,000
9/25/84	Martin for Congress	1,000
12/28/84	Martin for Congress	1,000
6/14/85	Britt for Congress	100
9/18/85	Jordan for Governor Committee	100
10/7/85	Vinroot for City Council	250
12/13/85	Martin for Congress	1,000
3/7/86	Anthony for City Council	100
4/9/86	N.C. Democratic Party	100
5/6/86	Martin for Congress	1,000
10/7/86	Sanford for Senate	1,000
10/13/86	Terrell for Judge	50
10/13/86	Anthony for City Council	50
2/26/87	Gephart for President	250
5/1/87	Jordan for Governor Committee	525
7/7/87	Gantt for Mayor	250
10/1/87	Gore for President	250
11/16/87	Jordan for Governor Committee	2,500
1/22/88	Ethridge for School Superintendent Committee	100
2/8/88	Gantt for Mayor	250
2/8/88	Jordan for Governor Committee	4,000
3/11/88	N.C. Democratic Party	500
9/1/88	Mecklenburg County Democratic Party	100
9/1/88	Odom for State Senate	200
1/29/90	N.C. Democratic Party	500
3/30/90	Gantt for Senate	1,000
10/9/90	Rauch for State Senate	100
3/25/91	Jim Hunt Committee	1,000
7/29/91	Patterson for City Council	250
9/12/91	Burch for House	100
9/23/91	Vinroot for Mayor	250
10/10/91	Mathews for State House	100
10/11/91	Spratt for Congress	250
11/7/91	Hollings for Senate	100
12/4/91	Vinroot for Mayor	250
12/4/91	Hunt for Governor	1,000
3/9/92	Watt for Congress	1,000
3/20/92	Sanford for Senate	1,000
3/27/92	Hollings for Senate	700
4/28/92	Renfro for Lieutenant Governor	1,000
4/30/92	Clayton for Congress	50
5/1/92	Baddour for State House	500

5/2/92	Clinton for President	1,000
5/20/92	Boyles for Treasurer	1,000
7/16/92	Democratic National Committee	10,000
7/27/92	Kempe Re-election	50
7/30/92	Hunt for Governor	4,000
8/6/92	Johnson for Senate	100
8/25/92	Sanford for Senate	1,000
9/1/92	N.C. Democratic Party-Unity 92/Federal Account	7,000
9/4/92	Clinton/Gore Presidential Transition Planning Foundation	5,000
9/14/92	Watt for Congress	1,000
9/15/92	Boxer for Senate	100
9/15/92	Moseley Braun for Senate	100
9/15/92	Feinstein for Senate	100
9/15/92	Jones for Senate	100
9/15/92	Murray for Senate	100
9/15/92	Yeakle for Senate	100
10/1/92	N.C. Democratic Party - Non-Federal	5,000
10/2/92	Clinton for Governor Committee	1,000
10/5/92	Hefner for Congress	1,000
10/5/92	N.C. Democratic Party - Non-Federal	7,500
10/9/92	Ferraro for Senate	50
10/19/92	Wicker for Lieutenant Governor	1,000
10/19/92	Helms for County Commissioner	100
10/29/92	N.C. Democratic Party - Non-Federal	5,000
10/29/92	Mecklenburg County Democratic Party	700
11/5/92	Ed Renfro for Lieutenant Governor Committee	250
11/20/92	Helms for County Commissioner	100
11/25/92	N.C. Democratic Party - Non-Federal	1,200
3/5/93	N.C. Democratic Party - Non-Federal	1,000

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. What are your intentions regarding connections with your present employer, business firm, association or organization if you are confirmed by the Senate.
I am selling the stock I own in Bowles Hollowell Conner & Co. I will receive cash and a note. I have also resigned as Chairman and Chief Executive Officer and therefore will have no further involvement with Bowles Hollowell Conner.
2. Do you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization?
No.
3. Has anyone made a commitment to employ your services in any capacity after you leave government services?
No.
4. If confirmed, will you serve your full term of office?
Yes, if the President wants me to.

C. FINANCIAL DATA

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF-278).
2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients and customers. Amounts should be indicated by the categories established for reporting income on Form SF-278, Schedule A.
Bowles Hollowell Conner & Co. has purchased my 60.1% interest in the firm. It has issued me a note in the approximate amount of \$4,200,000 payable over 10 years in equal annual principal and interest payments at the rate of approximately 6.5%.
3. List sources and amounts of all items of value received during each of the past 3 years (including, but not limited to, salaries, wages, fees, dividends, capital gains or losses, interest, gifts, rents, royalties, patents and honoraria of yourself, your spouse and other immediate members of your household. (In lieu of the above, you may submit copies of your Federal income tax returns for these years.)
I have included a copy of Schedule A to Form SF-278 for 1992 since my tax return is not complete. I have included my federal tax returns for 1991 and 1990.
4. Have you declared bankruptcy? If so, describe the circumstances.
No.
5. Have you ever been a party to a lawsuit either as a plaintiff or defendant? If so, please explain the circumstances of the outcome.
I have never been sued. Bowles Hollowell Conner & Co., of which I am Chairman and a substantial shareholder, has been sued four times in its eighteen year history. Please see letter from Mark Merritt, attorney for Bowles Hollowell Conner & Co., describing the four lawsuits against the firm.
6. Have you filed Federal and state income tax returns in a timely manner for each of the past 10 years? If not, please explain.
Yes.
7. Has the Internal Revenue Service ever conducted an audit of your Federal tax return? If so, what resulted from the audit?
Yes - see attached schedule.

D. POTENTIAL CONFLICTS OF INTEREST

1. List any investments, obligations, liabilities or other relationships which might cause potential conflicts of interest with the position to which you have been nominated.
See opinion of the Designated Agency Ethics Official of the Small Business Administration attached to Form SF-278.
2. Describe any business relationship, dealing or financial transaction (other than taxpaying) that you have had during the past 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client or acting as an agent, which might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.
See answer to #1 above.
3. Describe any lobbying activity which you have performed during the past 10 years with respect to legislative or administrative actions at the Federal, state, or local level.
None; however, I have been President of the Juvenile Diabetes Foundation which does from time to time lobby the federal government for additional funds for diabetes research. I am resigning from the Juvenile Diabetes Foundation effective upon my confirmation.
4. Have you been informed of the conflict of interest laws and regulations applicable to the position to which you have been nominated?
Yes.
5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to this form and the attachments thereto. Attach a statement of the appropriate agency ethics official explaining the applicable laws or regulations, any potential conflicts and the action required to resolve such conflicts.
See answer to #1 above.
6. Explain how you will resolve any potential conflicts of interest that may arise in the future if you are confirmed for the position for which you have been nominated.
See answer to #1 above. I have been advised by the Designated Agency Ethics Official of the Small Business Administration that any such conflicts of interest must be resolved by measures required under the applicable statutes and regulations and I intend to abide by such advice.

The CHAIRMAN. Mr. Bowles, thank you very much for a very fine statement. And obviously, a statement that recognizes the responsibilities that you are about to undertake, which are deadly serious as far as the country and certainly, this Committee, is concerned.

Mr. Bowles, it is customary that we ask all nominees this question. Do you agree to respond to requests to appear and testify before any duly constituted Committee of the Senate and to direct your employees to do the same upon appropriate notice?

Mr. BOWLES. Yes.

The CHAIRMAN. Have you had any discussions with the President about a small business national policy?

Mr. BOWLES. I have had a number of discussions with the President and members of his staff about small business and the Small Business Administration and his focus on small business.

The CHAIRMAN. Well, perhaps the two of us—I do not think we have to get his attention, because I know him well enough and have discussed small business with him on a number of occasions to know that he is totally committed to the small business community.

One of the real problems we have right now, Mr. Bowles, is the fact that the 7(a) loan program is out of money. That program is shut down.

Now, for the record, let me state that regardless of whether one was rhapsodic about the so-called stimulus program or not, there was one item in the President's Stimulus Bill that I thought we made a very big mistake in not passing. And that was \$141 million appropriation for the 7(a) program.

As you perhaps know, Mr. Bowles, the Office of Management and Budget—and I would rather be director of the Office of Management and Budget than President anytime—but as you know they score everything that is spent around here and they score all money on 7(a) loans—that is the guaranteed loan program of SBA—they score that at just under 5 percent.

So if you loan somebody \$100,000, the OMB says that we must appropriate \$5,000 to cover potential losses in the entire program.

Now \$141 million in that Stimulus Program would generate \$2.6 billion in 7(a) loans; \$2.6 billion in SBA loans generates over the next 5 years 137,000 jobs. And in the 5th year, it generates \$300 million in taxes to the Treasury by those businesses.

Now I have never seen a shoot yourself in the foot mentality demonstrated more dramatically than it was when we killed that part of the Stimulus Bill. So since April 26, the Small Business Administration could not make a 7(a) loan. They have already used up their fourth quarter allotment, that is the August, September—the July, August, September—quarter. They have already used that up. They have no money left to make a 7(a) loan with between now and the end of the fiscal year.

This is a terrible situation, when you consider the fact that the banks in this country and indeed, to a certain extent, the Small Business Administration, will not make a loan below \$25,000, but when you consider what small business does for the economy of this country in creating jobs and when you consider the fact that banks are simply not loaning money to small business—and I am

not criticizing banks, I understand precisely the reasons they do not loan money.

They can loan \$1 million for no more administrative work and less risk than they can loan somebody \$100,000. And they can also invest in some kind of government securities and make money without having to loan it.

So small business is out there hanging by their thumbs. A lot of people are trying to expand their business to create jobs. They cannot get the money from the banks and the 7(a) program is down, shut down totally. It is a real travesty.

Have you had a chance to discuss with the President his getting behind an effort to get a supplemental appropriation through here as quickly as possible to get that program up and going again?

Mr. BOWLES. Senator, I have no question about the administration will be strongly in support of the 7(a) program. Clearly, all of us realize how important the 7(a) program is to our economy.

I think I truly did not have an appreciation for it until I had a chance to read some of the information that has been supplied to me by the SBA. You are absolutely correct. For \$141 million, we create \$2.6 billion worth of loans. That generates about 110,000 jobs over a 4-year period. And that is about \$1,280 a job. That is pretty effective use of your money.

All of the information that I have seen that has been supplied by both the Republicans and the Democrats shows very strong support for the 7(a) program.

There is also a 1983 GAO report which I read that says that 30 to 40 percent—this is their estimate—30 to 40 percent of the long-term capital supplied to small businesses by banks comes in the form of a 7(a) loan.

Now, in 1983, 30 to 40 percent of long-term capital supplied to small business coming from the banking industry had a 7(a) loan attached to it, then my guess is in these tighter credit markets and with the increase in the program, that percentage is even greater now. This is a critical program and a program that we desperately need for small business.

The CHAIRMAN. Mr. Bowles, I say this not to you, but just for the record. We have statistics here that show, for example, through both 7(a) programs and the so-called SBIC program, I can name you ten companies, including Apple Computer, Federal Express, Krey Research and others, who started off with a small business loan.

Those ten companies pay more taxes to the Federal treasury every year than the entire cost of operating the Small Business Administration. So when I hear somebody go over to the Governmental Reform Committee and say, well, we ought to abolish the Small Business Committee, turn it over to the Commerce Committee, or we ought to abolish SBA—I remember David Stockman, one of his favorite things.

That is the guy that put together that program on the back of an envelope that brought us a \$4 trillion debt. It was not even worthy of the back of an envelope. But be that as it may, when I hear people talking about abolishing the Small Business Administration, I do not mind telling you, it just makes my blood boil.

I am sort of like—I guess it was Senator Bennett said, he applied for a small business loan. To tell you the truth, I was going to apply for a small business loan and when I saw all the paper they sent me, I backed out. It was going to break me up just paying accounting fees.

And Mr. Bowles, I might say that paper work is still a major problem. We ought to not turn our back and ought not to fail to investigate the viability of the collateral and all that sort of thing. But I can tell you small business people out there go berserk when they see the paperwork that is laid on them by this organization.

Senator Chafee and I are putting in a bill to try to get banks back into the business of loaning to small business, doing away with the necessity of going through the truth in lending program, for example.

When you look down and see what banks have to comply with, no wonder they do not want to loan money to small business people. They cannot afford to go through all that folderol to make a \$50,000 or \$100,000 and they do not do it.

Incidentally, did you see the story this morning in The Post on the micro loan program?

Mr. BOWLES. I did.

The CHAIRMAN. That was a fascinating story. You are looking at the author of that legislation. But I cannot take all the credit because I borrowed the idea from somebody else. But you do not have to be a rocket scientist to know that there are so many people out there, some are even on welfare, that do not enjoy being on welfare. Most people think everybody loves to be on welfare. I am not one of those people.

And we have got some examples of people who got off welfare with these micro loan programs. But it is a very small program.

But the point I want to make is, there is a program where you can loan somebody \$1,000 to \$15,000, maybe even \$25,000. They do not need to go to a bank for \$100,000. Small Business Administration will not loan them money. And that program has the potential for putting a lot of people to work in this country, in my opinion. We are going to hold a hearing one of these days before long.

That is more sermonette than it is a question, Mr. Bowles. I just wanted you to know where my heart is on all of this. I yield to my ranking member.

Senator PRESSLER. Mr. Chairman, I shall be fairly brief, so we can rotate here.

I am very interested in this business of technology in small businesses. We are having somewhat of a controversy—

The CHAIRMAN. Mr. Bowles, I hate to leave you to the tender hands of the other members here, but I am going to ask—Joe, are you going to be for awhile?

I am going to ask Senator Lieberman to take over the chairmanship of this. The Energy Committee is marking up a bill that I have worked for 4 years on and I do not want somebody to muck it up. So I am going to take my leave and go over to the Energy Committee.

And Senator Lieberman, I thank you very much. And to your family and to you, congratulations. If nothing happens, your name will go to the Senate either tonight or tomorrow. I will ask Senator

Mitchell to report your nomination out tomorrow so that you will be on board over the weekend or no later than Monday.

Mr. BOWLES. Thank you, sir.

Senator PRESSLER. I am very interested in technology. What degree of support would you give to the concept of a small business investment company financing program run by SBA, devoted solely to advanced critical civilian technology transactions and businesses?

Mr. BOWLES. Senator Pressler, I am familiar with Senate Bill 4. I would like to answer that question, in a little broader text.

One of the things that I abhor is waste and duplication. I think currently we have a vehicle at the SBA, called the SBIC program, that enables us to fund venture capital. I think the new participating preferred security that has been created and passed by the Senate last year and the House will make that part of our program a much more efficient, effective operation.

What I cannot understand for the life of me is why in the world you would want to duplicate that structure and put it over at Commerce when you already have a structure at the SBA.

Senator PRESSLER. Good. Well, there is a lot of controversy over in the Commerce Committee. I think Senator Rockefeller wants to put it over in Commerce. I am not sure of that. I should not be speaking for another Senator.

But we have a wrestling match over there, so we need your help.

Mr. BOWLES. I think it is my duty to prove to the people who do not want it to go to SBA, but would like to see it go to Commerce, that we can manage that program efficiently and effectively at the SBA. And I hope to be able to do that.

Senator PRESSLER. Now for the benefit of others, what are we really talking about here in terms of new technology? Because what can small business do for new technology? We hear about Japan's government involvement in technology, Europe's involvement in technology, what is the issue here, from your point of view?

Mr. BOWLES. Well, from my viewpoint, first of all, and just understanding what the SBA currently does, currently approximately 19 percent of the funds devoted to the SBIC program go to advanced technology companies.

As Senator Bumpers said a few minutes ago, the SBIC program has helped create such companies as Apple Computer, Intel. It has been a fabulously successful program.

But it is not just that 19 to 20 percent that goes to high tech companies. Approximately 49 percent of the funds that are in the SBIC program go to companies that are less than 3 years old, and 59 percent go to companies that are in the scientific or manufacturing industries.

So a large proportion of the dollars that in the SBIC program are currently used for high tech operations.

We need to do more if this country is going to be competitive in the triglobal marketplace we face in the future, then we are going to have to do more in investing in the basic industries that will enable us to compete. And I think those are industries like micro-electronics, biotechnology, telecommunication, the new material science industries. I think all of those are important industries for

us to be competitive in if, in fact, America is going to compete in the global marketplace.

Senator PRESSLER. Well, do you believe the Federal Government should provide financial assistance to all sizes of advanced technology businesses? That is, do large businesses need this kind of help or should we be looking mainly at small business?

Mr. BOWLES. I have really focused on the needs for capital for small businesses, particularly early stage financing, second and third tier financing. I have not thought about subsidizing or working toward helping the financing of larger companies—companies that have access to the public marketplace.

Senator PRESSLER. Good. Let me say for the record that the Republican substitute to the stimulus bill had financing for the 7(a) program in it. In our view, it was paid for. But that is something that many on our side of the aisle very much want to see go forward. There are other things in the stimulus package other than that that caused some people discomfort.

Now, Mr. Bowles, as someone who has run a business, you understand the need to run any operation efficiently. Does it make sense to you for the Federal Government to create a new program within the Commerce Department, as S. 4 would do, when SBA already has a similar program in place?

Mr. BOWLES. As I indicated earlier, Senator, from my viewpoint one of the things I really want to work hardest at is the elimination of waste and duplication. I want to work with the Vice President's Commission on Reinventing Government to look across various departments to find where there is waste, where there is overlap, where there is duplication. This just seems to me as if it would be a duplicative program.

Now, I am not speaking for the administration, it is just my personal opinion.

Senator PRESSLER. I have some more questions, but I will submit them for the record so others can get their questions in.

Mr. BOWLES. Thank you, sir.

Senator LIEBERMAN (presiding). Thank you, Senator Pressler. Let me ask a few questions.

I want to come back to the 7(a) program because it is so central to the SBA function, and also so immediately necessary. Just to re-emphasize what I was going to say myself, which Senator Pressler said, which was that the Dole-Hatfield compromise on the stimulus bill did have \$100 million for the SBA 7(a) program. There is clearly a bipartisan agreement here, and we ought to figure out a way before too long to get this program funded so this terrible backlog that is now being created around the country for these loans, which is having an effect on the economy, can be broken.

As you know, coming from investment banking, the great thing about this program is the multiplier effect. \$441 million leads to \$2.6 billion, and then there is a secondary market multiplier even on that, so it goes on beyond that.

Let me ask a few questions, and I am not sure you are prepared to answer them at this time, but if you are great.

Do you have an estimate of the amount of money that would be necessary to fund the SBA program through the end of the current fiscal year?

Mr. BOWLES. Senator, I have seen various estimates. They exceed the \$141 million that has been mentioned. I have not been able to independently verify those, and I would like to pass on answering that until I have a chance to check that out and give you a number I am prepared to live with.

Senator LIEBERMAN. I understand completely, and I think it is important, as we try to put together a bipartisan approach on this, that you give us a hard estimate of what you need to get through the year so you do not have to come back with another supplemental appropriation number.

Mr. BOWLES. I will give you a good number.

Senator LIEBERMAN. We appreciate it. Thank you. As part of that, if you would consider the options of reprogramming funding from another program within the agency, which is what we did last year when funds were reprogrammed from the SBIC. That is not necessarily the answer of choice but it is one alternative that we would appreciate your advice on.

Mr. BOWLES. I can speak to that, Senator. There is about \$100 million worth of program funds left in the SBIC fund. It may not be used in this fiscal year. However, if you work that back to the amount of subsidy, it is only about \$5 million worth of—excuse me. About \$15 million worth of subsidy. And if you capitalize that into a 5 percent subsidy rate for the 7(a) program it creates about \$284 million, which will run the program for about 10 days. So, there really is not a lot of excess funds there to solve this program by reprogramming.

Senator LIEBERMAN. OK. We look forward to your answers to that.

Finally, briefly you indicated that you are going to go out and talk to small business people, the customers if you will. I appreciate that very much.

As Senator Bond, and I think others suggested, and I am sure you can expect, one of the things you are going to hear about is what we all hear about when we go home. About every time I go home I try to go to a small business and unfortunately they feel overwhelmed by governmental regulation. What always fascinates me when I have these conversations is that these laws which we adopted in good faith end up cumulatively having an effect on the good folks out there who are running small businesses, working hard, trying to make a living, and creating jobs, they have an unfair effect on them.

I urge you if, in fact, you hear this to step beyond what is the norm of the SBA and see if you cannot be an advocate on this one. One thought might be to suggest to the President that he convene a summit with the small business community patterned somewhat after the broader economic summit that he held in December and then a health care summit more recently to focus on the question of regulatory relief for the small business community, one-stop shopping or whatever it might be, to acknowledge the fact that most of the folks out there can be trusted. We tend to write laws for the small number we cannot trust, but it gets all the rest of them caught in the thicket that sometimes is hard for them to get out of.

I would welcome a response if you have it. If not, I will be happy to end with my oration.

Mr. BOWLES. Clearly I come from the private sector. I have spent my life in small business. I tend to work very hard to make known the fact that when government regulations stand in the way of productivity in the work place it does not help anyone.

I intend to fight hard for the Paperwork Reduction Act. I intend to fight hard for the Regulatory Flexibility Act. The very premise of the Regulatory Flexibility Act is that government regulations have a disproportionate effect on small business than on large business. I intend to focus on that. I intend to be an advocate for that, and I intend to be an advocate for that within the administration. And I think that is the very reason the President wanted me in this position.

Senator LIEBERMAN. That is great. Senator Bond?

Senator BOND. Thank you, Mr. Chairman. I have been asked, on behalf of Senator Mack, to submit these questions for the record that the witness may be able to deal with in writing for Senator Mack and for the Committee?

Mr. BOWLES. I would be happy to respond to them.

Senator BOND. Mr. Bowles, I mentioned briefly in my opening statement the burdens on small business of providing health insurance. I have heard from many small businesses who are struggling with the cost of providing insurance. Some of them, frankly, have said that they have had to drop insurance or they are not able to afford insurance because they cannot afford the premium rates.

Yet, one item being frequently discussed on the Hill is looking to all employers to provide the cost of health insurance for their employees. How do you view that impact on small businesses? What is your feeling with respect to such a mandate?

Mr. BOWLES. Senator, I believe that small business has as large a stake in this health care mess the country is in today as any group in the country. Small business has without any question seen their cost of health care skyrocket over the last decade.

Some of the statistics that I have looked at show that small businesses have experienced increases in their health care costs of 20 to 50 percent annually. That is almost mind boggling.

Small businesses pay 30 percent more in many cases for the same health insurance that large businesses do. Small businesses' annual increase in health insurance has been about 50 percent greater than the annual increase that large businesses have incurred.

I think small businesses that I have looked at have really taken about every step they can prudently take to try to manage the cost of health insurance. You know, they have tried everything from changing programs to mandated care, to self-insurance, to cost sharing. They have cut benefits. They got their employees to pay more for the program or they dropped the program entirely.

Unfortunately, the smaller your company the more disproportionate the cost is. I truly think small business has a bigger stake in health care reform than almost any other single group in this country. Two-thirds of the people who work in this country who do not have insurance work for small businesses.

I do not want to get out in front of Mrs. Clinton and Ira Magaziner's commission and take a position at this point in time on any one of the potential solutions to the health care mess we are in. I do intend to be a staunch advocate for the needs of small business and the effect that any health care solution can have on small business when the program is finally put forward.

I do look forward to meeting with Mr. Magaziner and with Mrs. Clinton to discuss some of the same issues that you have just brought up. But I understand there is a chronic need to improve the health care problem this country faces today.

Senator BOND. If we were just talking hypothetically, without being specific, and you were at something that was going to add, say, 7 to 10 percent to the payroll costs of the small business, what would your assessment of its impact be on small business?

Mr. BOWLES. Put in that context, clearly when you eat up 7 to 10 percent of the dollars of any organization, if you do not have any return for those dollars it certainly could have some adverse consequences. At the same time I think we are talking in hypotheticals, and I would want to look at the plan and make sure the plan did not have some kind of pay-back in some form or fashion before I would want to take a firm position on it.

Senator BOND. Of course we are just talking hypothetically, but if you will continue that message I will help hand-carry your nomination so that you are brought into the discussions. I hope that you will be able to be involved in the discussions before some final plan is developed.

Mr. Chairman, you have been very kind. I have a number of other questions which I would like to submit for the record, but I cannot pass without asking just one last thing.

One of the proposals in the budget would establish a 42.5 percent marginal tax rate on high income individuals, but a large number of those happen to be operators of small businesses, some Chapter S corporations, proprietorships, partnerships. Do you see this as potentially having an impact on the ability of small businesses to create and maintain jobs?

Mr. BOWLES. Senator, the numbers that I have seen supplied by the Treasury Department indicate that there are approximately 7 million tax payers who file tax returns where the vast majority of their income comes in the form of income from business operations. And of those, approximately 300,000 or 4 percent would be adversely affected by the increase in the marginal tax rates from 31 to 36 percent, and the surcharge tax rate that goes above that.

Clearly, those are people who are filing as sole proprietorships, partnerships, and some Chapter S corporations. I think one of the strong points of President Clinton is that he likes to surround himself with people with diverse viewpoints. He likes to listen to those viewpoints, and he likes to hear different perspectives.

As I said in my opening remarks, he has promised me that small business will have a seat at the economic table, and I look forward to talking to him in the not to distant future about some of the subjects that you have raised during your questions.

Senator BOND. I apologize for having asked those questions, but not really. I trust that you will be a very strong voice for those di-

verse views. I wish you well, and I hope you have great success in carrying the message.

Mr. BOWLES. Thank you, Senator Bond.

Senator BOND. Thank you very much, Mr. Chairman.

Senator LIEBERMAN. Thank you, Senator Bond. Mr. Bowles, I have been impressed with the nomination all along the way, and at no time more than watching the graceful and gracious way you have just answered Senator Bond's questions.

[Laughter.]

Senator LIEBERMAN. We are going to conclude the hearing at this point. Let me just say, having listened to you and being familiar with your record, we have all complimented you on having a beautiful family. Let me say what I am sure your family feels now, which is that your family has a lot to be proud of in you. As you have heard from members of both parties of this Committee, we greet your nomination with a sense of excitement and high expectation, and we very much look forward to working with you.

As Chairman Bumpers indicated and said to me as he left, we are going to try very hard to get your nomination not only out of the Committee but as fast as we can to the floor, perhaps today or tomorrow if at all possible, so you can be fully legitimized in your important work.

Mr. BOWLES. Thank you, Mr. Chairman.

Senator LIEBERMAN. As several of the members have indicated we will, notwithstanding our enthusiastic support, send you some questions which we hope for your answers to.

Thank you, everybody. We wish you the best. And the hearing is adjourned.

[Whereupon, at 2:25 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL FOR THE RECORD

Follow-up questions from Senate Small Business Committee Confirmation Hearing

SENATOR BUMPERS

1) MICROLOANS: Although still a demonstration program, the Microloan program is one of SBA's most popular financing programs. It provides loans to entrepreneurs and very small businesses in amounts that banks are unwilling to consider. So far SBA has done a good job in implementing the program.

* What are your views of the program and its potential for encouraging self-employment and expansion of very small business?

ANSWER: We are encouraged by the early results of the program. The average loan is approximately \$10,000. This is certainly within the range of the original intent of the program. The average interest rate is 9.26 percent which is lower than what we anticipated in drafting the program. We have been able to strike a good balance between rural and urban loans. Rural loans amount to approximately 53 percent of all the microloans made. Our data shows that approximately 41 percent of the loans are going for new businesses and 59 percent to existing businesses, and over 53 percent of the loans are for women owned businesses. Studies have shown that the average new business is started with only \$7500. We are convinced that the microloan program is reaching the very population segment it was designed for, that of low-income owners of start-up or early-stage business, trying to make it on their own.

2) PAPERWORK: Government paperwork is an on-going burden for small business. Both the SBA's Office of Advocacy and the Office of Management and Budget could help reduce this burden, or at least guard against unnecessarily increasing the paperwork.

* Do you plan for SBA to have an increased role in helping the Federal government reduce the paperwork requirements on small business?

ANSWER: Having been a small businessman and an advisor to small businesses myself, I can readily attest to the paperwork burdens imposed by federal agencies. I believe that the SBA can play a vital role in reducing paperwork burdens on small business. I will ask the President to support the Paperwork Reduction Act, and I also will work with the Chief Counsel of Advocacy to establish a better relationship with the Office of Management and Budget and, in particular, its Office of Information and

Regulatory Affairs. The improvement in communication between the SBA and OMB will provide OMB with greater insight into the potential paperwork burdens faced by small business.

3) ADVOCACY: As you may know, the position of Chief Counsel for Advocacy is also a presidential appointment and can serve an important function for the small business community. During the early 1980s, the Chief Counsel was active and often helpful to Congress as well as to small business. For much of the Bush Administration the position was left vacant, and when the position was finally filled, the office was fairly ineffective.

* Do you expect that we will see a nomination for that position soon?

ANSWER: Senator, I agree that the position of Chief Counsel for Advocacy is one that can serve a significant role in the policymaking process from which we can all benefit. I view the Office of Advocacy as a strength for the SBA and within the Administration, and I have discussed with the White House that selection of a Chief Counsel is a top priority.

* And, recognizing that your views and those of the Advocate may be at odds on some issues, do you see yourself working closely with the Chief Counsel?

ANSWER: Senator, I foresee a close working relationship with the Chief Counsel. I recognize that the Chief Counsel's responsibility is to represent the interests of small business and that we may not always agree on every issue. However, I will ensure that the Chief Counsel has the latitude and independence to fulfill that important role.

4) SBA MANAGEMENT: On occasion SBA management structure has been criticized for being top-heavy and inefficient. With the current budget constraints, any savings in the agency's operation budget would be welcome. With that in mind, do you have any plans for reviewing and reorganizing SBA's management in the Central office and in the field?

ANSWER: We are considering some reorganizing, doing a management review, and identifying areas for savings in the agency's operations budget. Possibilities for savings may include setting up administrative loan servicing centers and reassigning staff from the Central and regional offices to the district offices. My management philosophy is to push our resources down to the field where our customers are.

5) CAPITAL GAINS: Do you support the Bumpers/Matsui capital gains incentive?

ANSWER: I recognize there are many differences between the Bumpers/Matsui capital gains proposal and President Clinton's proposal. The Bumpers/Matsui legislation has several components which support small business growth. I support the President's efforts to provide a capital gains provision targeted at investments in small businesses. Investment incentives will provide small businesses with the access to capital they need in order to expand and grow to their full potential. I will carry the small business point of view to the Administration.

* Will you work to persuade the Administration and the tax-writing committees in the Congress to ensure that investments in and investments of SBICs are covered by any capital gains incentive?

ANSWER: The Revenue Reconciliation Act of 1993, reported out of the House Ways and Means Committee subsequent to my confirmation hearing, includes a provision which would allow investors in specialized small business investment companies (SSBIC) to be eligible for the proposed 50 percent capital gains tax exclusion even if the SSBIC does not meet the "active business" requirement. I fully support this important provision, and will continue to advance measures which will benefit small business investment companies (SBIC).

* 6) SBA GUARANTEES OF FARM CREDIT SERVICE ACTIVITIES: Last December, I wrote a letter to the previous SBA Administrator on the issue of the agency's participation as a guarantor of certain Farm Credit Service Activities. I have heard from constituents as well as representatives of the Farm Credit Bank which serves my state who have expressed concern that SBA has refused to extend guarantees to them for specific rural credit needs even though similar guarantees have been approved for other lenders.

The response I received from the previous Administrator indicated SBA's policy is based on several items that I understand were the focus of subsequent discussions among our respective staffs and representatives of the Farm Credit Administration. I have since heard of no further decision by SBA on this issue. I am sure you understand the need to extend appropriate levels of credit in rural areas.

* I would appreciate your review of SBA past policies and your thoughts on the direction SBA may take in providing necessary and equitable credit services to rural small businesses.

ANSWER: The SBA had three basic reasons for its unwillingness to participate with lenders in the Farm Credit System. Those reasons were:

- (1) These lenders have been unable to demonstrate a capability to make and service commercial loans.
- (2) These lenders do not hold themselves out to the public as commercial lenders. They require that borrowers must purchase stock in the lender, and will only lend to those that directly support farmers and ranchers.
- (3) SBA was under the impression that the Farm Credit System was funded by federally backed securities.

A meeting was held between SBA officials and representatives of the Farm Credit Administration to address these issues. While some federal funding or backing is involved with the Farm Credit System, it is not at all uniformly so. It is quite possible that this roadblock has been eliminated.

The other problems continue to exist. The Farm Credit System's credit principles are at considerable variance with those of SBA. We are continuing to study problems 1 and 2 above. Senator, I have not yet had a chance to review this myself, and I would like to do that before I give you a final answer on the SBA's policy.

Follow-up questions from
Senate Small Business Committee
Confirmation Hearing

Erskine B. Bowles, Administrator-Designate
U.S. Small Business Administration

SENATOR PRESSLER

A. 7(a) LOAN GUARANTEE PROGRAM/CURRENT SITUATION

1). As everyone here knows, there has been controversy recently over a supplemental appropriations bill in the Senate. Because of the bill's failure to pass, the SBA's 7(a) loan guarantee program--an extremely valuable and efficient small business financing tool--was forced to shut down temporarily.

Do you believe the program's funding shortfall should be paid for through increased deficit spending, or is there a way to pay for the additional \$141 million needed to keep the program running through the summer?

ANSWER: Any effort by SBA to keep the General Business Guaranty Loan Program running through a reprogramming from other programs would not be effective. There are simply not enough funds available in the Business Loan Fund (BLF) to support 7(a) lending over a significant period of time.

With regard to additional appropriations, unless Congress declares additional funds to be an emergency under the Balanced Budget and Emergency Deficit Control Act of 1985, offsets must be taken across the board under the Domestic Discretionary cap, to the extent that funds are not available within the cap.

2) Last Thursday, I introduced S. 842, legislation to provide for the transfer of funds within the SBA--that is, a reprogramming of money--to keep the 7(a) program open at least in the short-term. Do you believe this is a good idea?

ANSWER: see #3 below

3) Before introducing the legislation, I sent a letter to the President urging him to reprogram SBA funds to keep the program in operation. Do you know why the Administration has not reprogrammed SBA funds into the 7(a) program even without legislation of the type I introduced?

ANSWER: There are several reasons why we did not request a reprogramming of funds. Among them is the fact that the Administration initially felt that the Economic Stimulus Package would be passed. But just as important, none of our other

current business guaranty program levels reflect a significant excess able to absorb the amount needed for the General Business Guaranty Program. If we reprogrammed SBIC credit subsidy funds of \$14 million, this would generate only \$282 million in additional General Business Guaranty lending. This would fund the program for approximately 10 or 11 days, based on our actual daily usage.

Any reduction in the direct business or the Disaster Loans appropriations would require Congressional action to authorize the transfer of funds. At this time, both the Administration and the Congress are working on alternative supplemental proposals which would provide additional General Business Guaranty funds.

B. 7(a) LOAN GUARANTEE PROGRAM/PROPOSED CHANGES

1) As you know, we ran into the same funding problem with the 7(a) program last fiscal year. Is there any way you can see to avoid this problem in the future?

ANSWER: We are requesting \$154.8 million in credit subsidy to support \$6.6 billion in loans under the 7(a) General Business Guaranteed Loan Program in FY 1994. The FY 1994 request is based on the anticipated demand in the 7(a) General Business Program during FY 1994, coupled with the Administration's effort to relax Federal bank regulatory policies.

2) Is it just a question of a need for more federal appropriations, or are there other changes that could be made-- either within the program, or in other areas?

ANSWER: The two initiatives that the Clinton Administration has proposed for the 7(a) program -- to reduce the average guaranteed portion of the loans and impose fees on the secondary market -- would generate budget savings and lower the amount of Federal appropriations needed for this program. In addition, the Administration has ordered a relaxation in certain Federal based lending regulations in an effort to shift the demand for credit from SBA to the banking community.

3) In FY 91, demand for the 7(a) program was \$4.1 billion. In FY 92, the SBA guaranteed \$5.6 billion in 7(a) loans, it is estimated in FY 1993, the 7(a) program will need almost \$7 billion. Yet the President's budget for FY 1994 includes only \$6.5 billion if the President's proposals to lower the subsidy rates are enacted and \$3.1 billion if they are not enacted.

a. Why so little?

b. Since the demand for the 7(a) program from all indications is growing rapidly, why would the Administration want to go through the whole supplemental appropriations process again next year?

ANSWER: The \$6.6 billion that we are requesting for the 7(a) General Business Guaranteed Loan Program in FY 1994 is based on anticipated demand and relaxation of regulations. The FY 1994 request is based in part on the 7(a) demand during the past two and a half years, and also takes into consideration the Administration's order to relax certain Federally-based lending regulations. This relaxation is an effort to shift the demand from the SBA to the banking community. However, if the demand for 7(a) loans increases above the rates for the last two and a half years, and the regulation adjustments are not implemented, then we may have to request supplemental appropriations.

c. The 7(a) program wasn't nearly the headache it is today until we enacted Credit Reform as part of the 1990 Budget Agreement. In order to assure America's small businesses of the capital they need, what would the Administration think about exempting the 7(a) program from credit reform?

ANSWER: The Credit Reform Act was enacted to measure more accurately the cost of Federal credit programs and to place the cost on a budgetary basis equivalent to other Federal spending. If various Federal credit programs were removed from the mandates of the Credit Reform Act, then the comparisons between the credit programs and other Federal spending could not be made. Additionally, under the Act, funded reserves are appropriated in the same year that Federal credit is extended. This was not true prior to Credit Reform and as a result Federal credit was being authorized with little consideration as to the budgetary impact. Credit Reform has helped SBA and the Federal government as a whole to confront financial difficulties, and it helps both the Administration and Congress maintain fiscal responsibility and avoid large, unanticipated losses.

4) Is any other Federal government lending program being cut more than the 7(a) program in the Administration's FY 1994 Budget plan?

ANSWER: We do not have knowledge about the level of reduction or increases in other Federal agency lending programs. However, our FY 1994 total budget authority request of \$693 million is 17 percent below the \$835 million appropriated for FY 1993, and if the \$181 million supplemental appropriations passed by the House (H.R. 2118) is included, it is a 32 percent decrease.

5) How can it be argued that the Administration is a strong advocate for small businesses with this type of budget priorities?

ANSWER: The Administration is a strong advocate for small businesses, and that can be seen in the following four priorities that the President has set for the SBA:

- a. End the credit crunch.
- b. Eliminate the unnecessary paperwork and bureaucratic regulations.
- c. Restructure, reorganize and reinvigorate the SBA.
- d. The SBA will be the "President's eyes and ears" in the small business community.

6) One way by which the Administration may be able to lower the amount of Federal dollars necessary for the same amount of 7(a) loans is to reduce the required subsidy rate. Currently, that rate is 5.47 percent. Under the Administration's plan, by October 1st, that rate would become 4.92 percent and fall to 2.35 percent next year. While I agree reducing the subsidy rate somewhat is prudent and desirable, I would caution that forcing it too low may adversely affect rural areas, small banks and small loans. The reason is that the lower the subsidy rate goes, the lower the default rate can be. The best and the safest loans are for real estate acquisition. The most risky loans are made for working capital. Thus, with a lower subsidy rate, banks will be more inclined to make large real estate loans--a type of little use to small businesses in rural America and a type not easily made by small banks.

a. By forcing the subsidy rate lower, would the Administration be biasing this program toward real estate loans?

ANSWER: Technically, the subsidy rate would not drive the quality or type of loan, but rather, the reverse is true. Higher quality loans, less default, etc. would result in a lower subsidy rate. Actually, it is the means by which the subsidy rate is raised or lowered that would determine the kinds of loans that are made.

If, for example, the subsidy rate were lowered by imposing a lower participation rate on real estate loans, higher risk borrowers would be very much less likely to receive real estate loans. If the overall participation rate were to be lowered to achieve a lower subsidy rate, again the higher risk borrower, or the perceived higher risk borrower, would be generally denied assistance.

b. What are the consequences of this action?

ANSWER: We may see a small reduction in the demand for the General Business Guarantee Lending Program.

c. What kinds of borrowers will be squeezed out?

ANSWER: I am concerned that higher risk borrowers, startups, and those that may be perceived as higher risk such as minorities and women owned businesses may not be able to get financing through this program. I hope we can work together to assure that we can continue to extend credit to these borrowers.

d. Do you see a potential risk that smaller banks may become less able to make small loans?

ANSWER: We do not see a potential risk for smaller banks. The SBA financial assistance programs have always been particularly attractive to small banks because (1) the guaranteed portion does not count against the bank's loan to deposit ratio, (2) the risk based capital weighting for the guaranteed portion of an SBA loan is only 20 percent and (3) the secondary market can be used to raise funds to make the loan.

7) The Administration also has suggested we should charge bankers or borrowers more to participate in this program. Do you believe that by cutting the banks' profits, we will be encouraging the banks to make only larger loans which are more profitable, since banks need to fill out virtually the same amount of paperwork for a small loan as for a large loan?

ANSWER: The Administration has proposed to impose fees on the secondary market for SBA loans. SBA has estimated that this would cut the price received by the lender by about 2 points on a 10 year loan and 2.5 points on a 25 year loan. We do not believe that any lender would drop out of the program due to the implementation of this fee. We feel that it is fair to impose the fees only on lenders that participate in the secondary market because the market provides an additional profit to those lenders.

8) One of the biggest participating lenders in the 7(a) program is a non-bank lender.

a. Do you see any problems with this?

ANSWER: Certainly not. Non-bank lenders have been able to carry the programs across state lines and develop economies of scale. Also, those that are non-depository are not burdened with the restrictions and overcautious approach of the regulators. They have provided assistance to longtime bank borrowers now shut off from these sources.

b. Since you were a non-bank lender, will you be expanding the role of non-bank lenders at SBA?

ANSWER: Actually, I was not a non-bank lender. My firm was involved in small business investment banking, and did not receive SBA guaranties. In answer to your question, there are

two types of non-bank lenders at SBA. The subsection (a) lender is a lender that is regulated by a state or federal authority acceptable to SBA. This would include qualified credit unions, BIDCOs, state development companies and several special regulated lenders. We continue to approve such lenders when they meet Agency qualifications.

The subsection (b) lenders are those regulated by SBA. There are fourteen (14) of these, including The Money Store, ITT, AT&T and a limited number of others. We have not issued new licenses in this category since January 1982. We have processed, and continue to allow transfer of the existing licenses to other qualified entities. To be qualified, they must prove their commercial loan capability and have sufficient capitalization. We have no present plans to expand this number.

9) Is it time to review the criteria used for 7(a) guaranteed loans? Because 7(a) loans are profitable for banks, could banks be using the 7(a) program to finance small businesses that could obtain credit outside of the 7(a) program through traditional commercial lending?

ANSWER: We do not believe that the relative profitability of SBA loans has caused the increase in demand, or that SBA loan profits far exceed non-SBA loan profits at a bank. We believe most banks would prefer to make loans on a conventional basis if they could. However, over-zealous regulation has forced lenders to become very conservative. To protect themselves from regulators, many lenders are turning to SBA.

C. 7(a) LOAN GUARANTEE PROGRAM/COLSON SERVICES CORPORATION

Colson Services Corporation is the only fiscal transfer agent for the Small Business Administration's 7(a) guaranteed loan program and the sole central servicing agent for the 503/504 program. The Office of the Inspector General (OIG) at SBA performed an audit of Colson and in its report noted that some of Colson's oversight mechanisms could be improved upon. The SBA Office of Financial Assistance disagreed with most of the IG'S recommendations.

(1) Has the audit been completed? If not, how long do you expect it to continue?

ANSWER: The audit is completed in draft only. The program office has commented to the Office of the Inspector General, and differences are being discussed. We do not know when the final report will be issued.

(2) What is your response to the audit report?

ANSWER: Both the program office and Colson Services, Inc. have responded to the audit findings. While there may be agreement with some minor findings, there are a number of major items upon which we have been unable to come to agreement. The Office of Financial Assistance has suggested that these items be handled through the audit resolution procedures and is working to enhance the understanding of the OIG about the background and operation of the 7(a) program. It appears that some of the OIG opinion may have been based upon several "frivolous" lawsuits brought by the FDIC against certain National Bank of Washington directors. These suits have been dismissed by the Federal Court.

(3) What are Colson and the SBA doing about the audit's findings?

ANSWER: No further actions are being take pending completion of the audit.

(4) Did any company compete with Colson for the SBA transfer agent contract in 1986 and its renewal in 1989?

ANSWER: Both of these contracts were issued on a sole source basis. The justification of the sole source contract was the continuation of a major agency program and the significant degree of specialized computer program that Colson had developed. There is no off-the-shelf software that is comparable to the system that Colson has developed for the SBA Section 7(a) loan program.

(5) Did any company compete with Colson for the master servicing agreement in 1988?

ANSWER: This contract used a full and open competition requiring formal proposals from interested parties. A pre-bid conference was held to answer questions about the contract requirements.

Colson stepped in to take over this contract from the previous contractor when the previous contractor defaulted in performance. Colson promptly expended the funds necessary to hire the staff necessary to carry out the contract requirements, losing approximately \$5 million in the process. This was their investment in what they believed would be a profitable activity in the long run.

Colson was the only party willing to take on this responsibility, and make the investment necessary to perform at the time. It must be noted that the Colson Services contract is performed at no cost to the government.

(6) Do you plan to have competition for these contracts in the future?

ANSWER: Yes.

Question: Colson apparently was created in 1986 primarily for the purpose of servicing these SBA programs. Over 99 percent of the company's revenues come from these SBA contracts. The longer a single company continues to perform this function, the greater the cost of transferring in functions to another corporation, and the greater the risk of getting "locked in" to a certain business relationship.

(5) What would be the cost to SBA of switching to a new company?

ANSWER: If the Colson contract were terminated, a new contractor would have to develop the necessary software to service secondary market transactions from the contract date forward. That software would have to be developed at the contractor's expense if we could find such a contractor. Otherwise, the government would have to subsidize the development for this essential activity. We have been able to build into the present contract the right to the present software in the event of default by Colson. No new contractor would have any right to service the existing secondary market portfolio unless Colson agreed to sell that right. This would be extremely expensive at best. Also, we would be giving up a proven performer for an unknown one, if we could find one.

(6) If SBA found a better company that could perform these functions for less, would SBA be able to switch?

ANSWER: See #5 above.

D. CREDIT CRUNCH

The credit crunch is still a serious problem for small businesses. Various indicators and reports tell us there has been only sluggish to modest growth in bank lending. Commercial loan demand has not significantly increased, and banks are prevented from making loans to many businesses because government regulators are still too aggressive. Just last Thursday, The Wall Street Journal's lead article was titled "Regulators From Hell" (attached) and concerned the debate over whether tough regulators help or hurt the banking industry.

(1) What are some of your ideas for ways in which the SBA can help solve the small business credit crunch?

ANSWER: SBA can best address the credit crunch by continuing to make loans to small business concerns which cannot obtain financing in any other way because the banks have been terrorized to the point they will not make loans without the guaranty.

(2) What is your position on the Administration's initiative on March 10th to change banking regulations and help ease the credit crunch?

ANSWER: President Clinton has taken a giant step forward in this regard by removing unnecessary and costly restrictions on banks that prevented them from making character loans. But we must do more. Small businesses cannot grow and cannot create jobs without capital.

(3) The Administration's proposal was supposed to have an almost immediate effect on lending, but nothing really has changed. Will the Administration's changes have much of an effect on small business at all? When?

ANSWER: See question #2 above.

(4) Many of the bankers I talk to in South Dakota are extremely skeptical that this program will provide much help. One of its goals is to allow banks to begin making more character loans. Yet, my bankers tell me that only a small percentage of banks can even qualify for the special character loans provisions.

(a) Is this your understanding?

(b) What else can the Administration do to help get capital to small businesses?

ANSWER: I believe your understanding from the bankers is correct. For what action the Administration can take, see the answer to question #1 above.

(5) This committee has held a number of hearings to study the credit crunch. While banking legislation is not under the jurisdiction of this committee, it has a direct effect on what we do and it cannot be ignored by this committee or the SBA. Do you believe that legislative action is needed to solve the credit crunch and help small businesses?

ANSWER: Legislative action would have more clear cut effect on the regulatory personnel. In particular, it is my hope that the Congress will quickly act on funding the 7(a) program for the balance of FY 1993.

(6) One piece of legislation which I am cosponsoring and was mentioned favorably a number of times during a recent hearing held by this committee to study the credit crunch is S. 265, the "Economic Growth and Regulatory Paperwork Reduction Act of 1993." This legislation would help cut back burdensome regulations and requirements that cost banks money and reduce the level of loans to small businesses.

Do you have a position on S. 265?

ANSWER: No. We have not had an opportunity to develop a position. However, as I mentioned in my opening statement, one of my goals at the SBA is to work to reduce paperwork to our customers, and to work to reduce regulations.

(7) I want to get more Microlenders in South Dakota. This is a very successful SBA program and it is helping small businesses that banks would not even touch. We already have one Microlender in South Dakota, the Northeast South Dakota Energy Conservation Corporation, (NSDECC) that is making microloans only in the northeast corner of the state. They are experiencing for more demand that they can handle, both in terms of staff and funds to lend. I would add that NSDECC has applied for additional loan funds for this fiscal year. However, what can we do to improve access to microloans in South Dakota and other rural states?

ANSWER: To date, we have had only one applicant for the MicroLoan program from South Dakota. While that organization has been highly successful, they do not cover the whole state. In the absence of additional applicants, we are unable to select intermediaries to cover other areas.

E. TAXES

In a press release, your predecessor claimed that the Administration's economic plan was "all good news for small business," even though the plan entails significant tax increases on many small businesses.

(1) What is your position on the Administration's economic plan -- is it, as Dayton Watkins, Acting SBA Administrator, has said, "all good news for small business," even though it will raise most of their taxes?

ANSWER: According to the Department of the Treasury, there are approximately 7 million taxpayers who file tax returns where the vast majority of their income is in the form of income from business operations. Of those, approximately 300,000, or 4 percent, would experience an increase in marginal tax rates.

The Administration's plan tackles our country's enormous deficit--the biggest obstacle inhibiting the growth of our economy. By significantly reducing the deficit over the next five years, the plan will reduce interest rates and free up funds for business expansion.

President Clinton's economic plan and other subsequent proposals offer many benefits to small business. I have no question that the Administration strongly supports the SBA's 7(a) guaranteed loan program. In addition, the President's proposal to reduce capital gains taxes for investors in small businesses as well as increasing the IRC Section 179 expensing allowance from \$10,000 to \$25,000 will be beneficial. The Administration's plan also includes a number of provisions which will benefit small businesses, such as permanently extending the research tax credit and temporarily extending the 25 percent health insurance deduction for self-employed individuals.

(2) Eight out of ten small businesses pay income taxes at the individual rather than corporate rate because they are organized as Subchapter S corporations, partnerships or sole proprietorships. How can it be justified that taxes for some small entrepreneurs paying taxes at the individual rate would be raised to an effective level of 42 percent -- when the surtax and Medicare tax changes are factored in -- while the top corporate rate would increase to 36 percent?

ANSWER: Under the Administration's proposed economic plan tax rates will not increase for those individuals with taxable incomes of less than \$140,000 for married individuals filing a joint return and \$115,000 for single individuals. Although the proposed individual tax rate will exceed the corporate tax rate, unincorporated businesses and S corporations will continue to be taxed once on earnings. Treasury estimates that only 4 percent of these taxpayers would experience an increase in their marginal tax rates.

(3) Doesn't such a proposal mean that certain small businesses will be paying taxes at a rate proportionately higher than that of America's major corporations?

ANSWER: As I mentioned, most taxpayers who report income from a business will not experience an increase in their tax rates. While certain small businesses will pay taxes at slightly higher rates than some incorporated businesses, they are not subject to the double taxation of C corporation earnings and dividends.

(4) Next week I will be introducing legislation to freeze the tax rates for these small businesses at their current levels. What is your opinion of such a proposal?

ANSWER: It is necessary to consider the proposed income tax rate increases on small businesses as a component of the Administration's overall plan to reduce the deficit. As you well know, the number one concern of small businesses is deficit reduction. While I will do everything in my power to advance policies that will benefit small businesses, I also recognize that long term economic gains require shared sacrifice and all businesses must be willing to contribute if we hope to be successful in curtailing our country's deficit.

(5) What do you see as the combined impact of raising income tax rates and imposing a new energy tax on this nation's small businesses?

ANSWER: Senator, the two taxes you refer to cannot be looked at in a vacuum. The increase in individual tax rates and the imposition of an energy tax must be considered as components of the Administration's overall plan, which will ultimately benefit our nation's businesses. The two provisions you refer to will provide revenues needed to cut the crippling deficit that is suffocating our country's growth. You cannot consider just the tax increases without also looking at the other proposals the President has put forth to help small business.

(6) Has the SBA done any analysis of these proposals and what they could mean in terms of job creation?

ANSWER: The Small Business Administration has not conducted a formal study of the impact of the proposals to increase income tax rates and to establish an energy tax. As I stated in my prior response, these two provisions must be considered as elements of the Administration's overall plan to cut the deficit.

Also, regarding the issue of job creation it is important to point out that the Administration's plan promotes job creation by expanding and permanently extending the targeted jobs tax credit.

(7) During the 18 years you owned your own business, did that business respond to government incentives and disincentives?

ANSWER: Government incentives and disincentives were certainly factored into any decision that I made when managing my business.

(8) Did your business ever make decisions on whether or not to expand based on the amount of money you were going to have left in the bank at the end of the year?

ANSWER: Many factors, including the amount of our retained earnings, were considered when my business was making decisions on whether or not to expand.

(9) Hypothetically now, as I know you have sold your partnership share in Bowles, Hollowell, knowing that you are going to be required to pay more taxes on the profits generated by your business next year, do you think you would decide to hire more people?

ANSWER: Yes. In fact, Bowles, Hollowell, Conner's employment will increase by approximately 20 percent by August 30 of this year over the prior year's level. In the past I have based my hiring decisions on whether I needed an individual to fill a particular position or to better serve our customers. I would continue this practice even if my business was required to pay additional taxes.

(10) The targeted capital gains tax cut the Administration proposed is not going to help entrepreneurs in my home state of South Dakota--we have no venture capitalists. It appears to be targeted toward bigger states with significant technological bases. Do you think it should be expanded to at least what Senator Bumpers has proposed?

ANSWER: Senator, I am sure South Dakota has venture capitalists or at least venture capitalists as I describe them -- anyone who invests their hard-earned funds in a new or relatively new business with the hope of achieving a reasonable return for taking the risk of making that investment.

The proposed capital gains provision will allow a significant number of small businesses access to new sources of capital. Increasing the current limit on aggregate capital from \$50 to \$100 million and expanding the provision to include investments in S corporation stock would lead to greater access to capital for small business. I wish this country did not have the deficit problem we do so that we could afford to do more.

(11) It appears the Administration's investment tax credit proposal is in some trouble. From news reports, it sounds like Chairman Rostenkowski has told the President it is not going to pass and that the President accepted this.

(a) Will we see many other changes in the President's tax bill?

ANSWER: Shortly after my confirmation hearing, the House Ways and Means Committee reported out a revenue bill which included some modifications to the Administration's proposal. Other than those changes, I do not foresee any major modifications to the Administration's plan.

(b) What kind of blow was this to the Administration's plan to help businesses--particularly small businesses--create jobs?

ANSWER: In response to comments from the business community, the House bill eliminated the investment tax credit (ITC) which was included in the administration's proposal. However, the House added a provision which would increase from \$10,000 to \$25,000 the amount that businesses can expense under section 179 of the Internal Revenue Code. I believe the expensing provision that was added will be a real benefit to the small business community.

(12) What are your feelings on reducing the capital gains tax rate?

ANSWER: I support a reduction in the capital gains rate targeted at investments in small businesses, which will help small businesses obtain access to capital. An issue of concern to the small business community is the inclusion of investments in S corporation stock and increasing the limit on aggregate capital from \$50 to \$100 million.

F. TECHNOLOGY FINANCING

Legislation, specifically S. 4, has been introduced and currently is pending before the Senate Commerce Committee on which I also serve. This bill attempts to accomplish the goal of providing more capital to advanced technology companies. However, I am not convinced it does so in the most efficient manner.

Financing is complicated. Scientists and entrepreneurs often believe they have a product or technology that is a certain success in the market. It is easy to ignore the financing and business aspect, but this is where a great many problems occur. I am sure you have seen many good ideas fail when marketed.

1) Could you talk about the importance of financing and involving people with financing experience in the process of marketing a new product?

ANSWER: Financing new products involves higher than average risk which requires unique skills to reasonably assess the potential risk and reward. To be successful, this process requires people 1) who are experienced in providing such financing, 2) who have the proven capability to select projects that have a reasonable prospect to be successful and 3) who can structure financings that will allow the business to be successful while protecting the interests of the investor.

Where these products are being developed and marketed by early stage companies, the risks are greater than when they are being developed and marketed by established firms.

2) How hard is it to create a high-risk government financing program from scratch with no previous experience? By higher risk I mean more risk than the SBA's SBIC program.

ANSWER: Creating such a program is possible but developing it and having it operational in a short period of time would be very difficult. After the enabling legislation is enacted, a staff must be assembled and regulations developed to implement the legislation.

It is difficult to assemble a team with the expertise necessary to develop and implement the program in a way that would achieve the legislative intent while at the same time protecting the interests of the Government. The only way to accomplish such a task would be to pattern the program after existing delivery systems and to rely on the experience of people both in the Government and the private sector who have operated similar programs.

3) How long would it take to create such a program with proper regulations and risk standards?

ANSWER: After the legislative authority is provided and a team of experienced personnel is assembled, it will probably take one to two years to develop and implement necessary regulations and risk standards. It would likely take another two years to license Critical Technology Investment Companies and for them to begin providing meaningful assistance to small technology firms.

In a program such as this, it is essential that careful consideration be given to all relevant factors to assure that the program will work in an efficient, effective, and economical manner within the framework of proper safeguards and standards. Frequently, notice will be published in the Federal Register seeking input for this purpose.

Once the regulations are developed, proposed rulemaking would be published in the Federal Register for at least a 60 day comment period. The comments must be evaluated and final rule making would be developed and published in the Federal Register.

4) I assume SBA could do it faster than any other agency?

ANSWER: With slight modifications to SBA's existing Small Business Investment Company (SBIC) program including proper legislative authority, a critical technology investment company program could be developed and implemented. This program would provide risk capital to firms that develop and market critical civilian technology.

Implementing regulations could be developed and the program could be operational within one year from the enactment of enabling legislation.

5) What percentage of government financing through the SBIC program went to advanced technology companies last year?

ANSWER: Based on our assessment of Standard Industrial Classifications that compose "advanced technologies", the following table illustrates the total amount of SBIC investments (financings) in small businesses, and the amount and percentages of SBIC investments in high-technology firms over a five year period.

<u>Year</u>	<u>Total</u> <u>Financings</u>	<u>Hi-Tech</u> <u>Financings</u>	
1988	\$614.4	\$ 93.0	(15%)
1989	542.4	117.8	(22%)
1990	545.9	102.8	(19%)
1991	364.2	90.2	(25%)
1992	395.7	70.2	(20%)

6) During a Commerce Committee hearing on S.4, I asked Secretary of Commerce Ron Brown about the specifics of a CTIC program. In a written response, Secretary Brown answered that the CTIC proposal in S.4, "attempts to channel funding to smaller high tech companies needing less than \$2 million and may be years away from payoff." Could SBA create a program to accomplish this goal?

ANSWER: To a great extent, the existing SBIC program using the Participating Security which was legislatively authorized in September 1992 accomplishes this objective.

An SBIC provides equity and long-term subordinated debt financing to small concerns for their sound financing and for their growth, modernization, or expansion. The Participating Security is financial assistance to the SBIC in the form of patient capital. This patient capital requires the SBIC to provide equity oriented financing to small concerns that is itself patient capital.

Any SBIC with \$10 million in private capital has the ability to provide up to \$2 million to any one small concern. A general threshold for SBICs using the Participating Security will be \$10 million.

As indicated in our response to question number 4, SBA could easily modify the existing SBIC program to establish a dedicated CTIC program if Congress mandates such an approach.

7) What degree of support would you give to the concept of a Small Business Investment Company (SBIC) financing program run by SBA devoted solely to advanced critical civilian technology transactions and businesses?

ANSWER: To the extent that enabling legislative authority and program funding is provided, SBA would be able to develop and implement such an initiative.

8) Barring any unforeseen problems, do you think you could develop and have such a program operating before November of 1996?

ANSWER: Such a program could be operational within one year of the enactment of enabling legislation and program funding.

G. TRADE AND EXPORT FINANCING

The U.S. has made tremendous gains in foreign trade in recent years--in manufactured goods and especially in services. The SBA's Office of International Trade has tremendous potential to help small business owners become exporters, and I believe they could do better.

1) What are some of your plans to improve this office and increase small business exports?

ANSWER: As mentioned during my confirmation hearing, one of my initial efforts as Administrator will be to refocus, reorganize, and restructure the SBA in order to deliver, in a more efficient and effective manner, the service that the small business person needs to start, manage and expand a business. The Office of International Trade will be included in that effort. Although it is too soon to offer specifics, I can assure you that SBA's focus on export promotion will be commensurate with its importance to small businesses.

2) Often exporters who have negotiated export sales cannot complete them for lack of financing. They become caught between small banks that lack both the experience and necessary relationships, and large banks that generally are disinterested in relatively small transactions. The SBA's Export Revolving Line of Credit (ERLC) program was designed to address this problem by providing loan guarantees to banks. However, the program has remained vastly under-utilized and not fully implemented.

Are you familiar with the assertion that many small businesses, otherwise in a position to export, are caught between inexperienced small banks and disinterested larger banks when they go looking for financing?

ANSWER: I have heard often the assertion from small business exporters that small local banks lack the expertise to offer export financing, while large money-center banks are not interested in financing smaller loans because the loans are less profitable relative to other types of lending.

3) Do you believe this is an accurate description of the quandary in which many exporters find themselves?

ANSWER: Based on numerous studies and anecdotal evidence, I believe there is an unmet need for export financing in this country.

4) Is this an area in which you are interested in exerting some of your energy if confirmed as Administrator?

ANSWER: Ending the credit crunch was one of four priorities set for me by the President when I was asked to lead the SBA. Ending the credit crunch for exporters would be good not only for small business, but for the nation as well. As Administrator of the SBA, I want to be held accountable for achieving this goal.

5) Some have argued the SBA has too many programs to administer already. In light of this, and in light of the fact that the SBA lacks experience in providing international trade finance, do you believe the SBA should administer a trade finance program at all?

ANSWER: As I have pointed out before, we have neither the dollars nor the people to be all things to all people, and as a consequence, we will have to focus our efforts on those areas that enable us to accomplish our mission of aiding, counseling, assisting and protecting small business. Clearly, helping small business take advantage of opportunities in international markets falls within that mission. Given the SBA's historical strengths -- including a thorough understanding of small business finance and a physical presence throughout the country -- I believe we are in a unique position to provide trade finance services to small business in an efficient and effective manner. Attaining the additional expertise to provide trade finance assistance is relatively simple if the fundamentals of small business financing are already in place.

6) Given current federal budgetary restraints, do you believe it is possible to create a workable program?

ANSWER: Given the low loan loss rates experienced by Export-Import Bank and several state trade finance authorities, we believe an aggressive trade finance program at SBA could be as cost-efficient as other finance programs in the Agency.

7) Some have suggested that a new SBA assistant administrator for export finance--a person who has substantial expertise and contacts in the field--is an essential first step in the creation of a successful export finance program.

(a) Do you agree?

(b) Would you consider creating such a position under your administration?

ANSWER: In our efforts to refocus, reorganize and restructure the SBA, certain personnel decisions will have to be made. I agree that as we seek to increase the effectiveness of our export financing activities, there will be a concomitant need to increase the focus and attention on both the long-term and day-to-day operation of the program. However, because we must work smarter, and harder, to streamline the agency, I plan to reserve judgement on individual personnel decisions until we have completed a comprehensive review of the efficiency and effectiveness of the entire organization.

8) I am interested in the use of Export Trading Companies (ETCs) and the role they might play in the successful administration of the export finance program. Given that ETCs have the expertise to determine whether a particular trade will be successful and/or profitable, would you support a program which utilizes the expertise of ETCs?

ANSWER: ETCs are excellent alternatives for small American companies that do not have sufficient time, personnel or capital resources to undertake an independent export effort. Often, a small business graduates to establish its own direct export operation after it has used an intermediary to gain experience. ETCs that obtain SBA-guaranteed loans can use the loan proceeds for export working capital, including buying goods from U.S. suppliers for resale overseas. Given the important role that ETCs play in facilitating small business exports, we would support initiatives that would take advantage of ETCs and other intermediaries' expertise.

9) I understand the Pacific Region of the SBA created a pilot program under which a Los Angeles-based ETC received a SBA loan guarantee. The ETC, in turn, used the loan to facilitate export trade transactions on behalf of exporters who were otherwise unable to complete export sales for lack of financing. Assuming

this can be done under the authority extended by current SBA programs, would you support the national implementation of such a program?

ANSWER: In a legal sense, ETCs throughout the country currently are eligible for SBA financing. However, their success in meeting SBA credit requirements has been very limited. All SBA loans must be of such sound value or so secured as to reasonably assure repayment. ETCs typically are small, operate on thin profit margins and are relatively undercapitalized. Consequently, most have insufficient net worth and collateral to meet ordinary SBA credit requirements.

Moreover, ETCs that might otherwise satisfy SBA eligibility and credit requirements often find it difficult to obtain financing simply because there exist few industry standards against which ETCs' balance sheets and projected earnings can be compared. We are seeking to redress the latter problem by establishing certain classifications and standards for the ETC industry and expect that by doing so, SBA loan officers will find it easier to make informed judgements about the eligibility and creditworthiness of all ETC loan applicants.

10) Do you believe that a program under which the SBA delivers certain of its services through ETCs would require both "new thinking" and putting the SBA on the cutting edge of government export finance regimes? Are you prepared to use your counsel and the private trade community to make this happen?

ANSWER: President Clinton has made clear that we must work to re-invent the government services provided by SBA and other agencies of the federal government. Where there is inefficiency, we must be prepared to recommend that some services be transferred to, or from, the SBA. Private sector partnerships have been one of the SBA's historical strengths. As we seek to improve the effectiveness with which we deliver export finance services to small business, we expect that both the staff at SBA and, most importantly, the private sector will be engaged in the "new thinking" required to do so.

11) The fact that many small U.S. banks are entirely unfamiliar with both transactional finance and international sales represents two compelling reasons why they have not participated in the trade finance arena. Given this problem, the SBA would need to take a proactive role and "sell the banks"--that is, help them to understand both the advantages and expertise needed to engage in trade finance. Are you prepared to have your staff take such a proactive role?

ANSWER: The SBA and the Bankers' Association for Foreign Trade (BAFT), in an effort to develop further our relationship with small business lenders, have agreed to cosponsor a series of five

export finance lenders' conferences in FY 1993 and early FY 1994. (BAFT is a financial trade group whose members generally are large, internationally active U.S. banks).

The conferences will be designed to help meet SBA and BAFT's common interest in seeing that 1) smaller, "traditional" SBA lenders understand the importance of international business to them and their clients; and 2) that small banks understand how to employ correspondent relationships with international banks to ensure that all three parties -- SBA lenders, international banks and, most important, small business exporters -- benefit from special banking services and financing which otherwise might be unavailable or unused.

Sites and dates for the series include Denver, July 29; Charlotte, N.C., August 16-17; Houston, September 9; St. Louis, October 13; and Boston, November 9.

12) In 1988, Title 15 of the U.S. Code was amended. See Section 7(a)(14), Section 8005 of PL-100-418. The effect of this amendment was to deregulate the rate that banks may charge to ERLC borrowers. The legislative history of this amendment shows that the purpose was to increase private sector financing of small business exports. However, the SBA never implemented this statutory deregulation. Are you prepared to have your counsel's office review this issue and have it resolved?

ANSWER: The legislative history of the Small Business Export Expansion Act of 1980 suggests that the language which created the ERLC program was intended to prohibit the SBA from regulating interest rates on ERLC loans. The legislative history suggests that the prohibition was intended to act as an incentive to induce lenders to offer ERLC financing. However, due to a seeming conflict with language found elsewhere in Section 7(a), the regulations governing ERLC interest rates did not reflect the view expressed in the ERLC legislative history. As yet, SBA has not established a position on the issue but currently is reviewing it and the impact it might have on the ERLC program, lenders and small business exporters.

13) Many potential buyers of U.S. products abroad are foreign nationals. Most nations require all bids submitted to be accompanied by some kind of performance bond. This bond requirement can be satisfied by the issuance of a "stand-by" letter of credit that operates only upon the default of the exporter. The SBA has taken the position that it lacks the authority to provide guarantees for stand-by letters of credit. My staff has researched the issue and initially concluded that the SBA does appear to have such authority. However, we also may need to consider a legislative remedy.

(a) Are you prepared to have your counsel fully research this issue to determine whether stand-by letters of credit can be SBA guaranteed?

(b) If the authority does not exist, will you support a legislative change which would permit the SBA to guarantee stand-by letters of credit?

ANSWER: Our Office of General Counsel recently issued an opinion stating that the SBA does not have the authority to guarantee stand-by letters of credit -- SBA's authority under Section 7(a) is limited simply to making or guaranteeing loans. However, a borrower can use SBA-guaranteed loan proceeds for working capital, which may include posting necessary security for performance bonds or letters of credit. However, loan proceeds used for this purpose must be placed in an escrow account, which can become cumbersome for lenders, who must charge a borrower interest on the underlying loan but pay interest on the amount in escrow. We are exploring ways to simplify this process and, if necessary, would support appropriate legislation to effect the change.

H. SBA DISASTER LOANS -- SOUTH DAKOTA

1) In order to realize this goal [expediting the disaster declaration process], review of the SBA's disaster assistance program is needed. Will you commit to working with me and this committee in developing a more efficient disaster assistance program?

ANSWER: I look forward to working with Sen. Pressler as well as other members of Congress and the Administration to make this and all of SBA's programs more effective and efficient.

As a general rule, SBA does not agree that the disaster declaration process takes unreasonably long. The Senator gives two examples in support of his conclusion. The first involves a tornado in Chester, SD. This occurred August 9, 1992, and the Governor's request was received by SBA on August 17, 8 days later. The disaster was declared by SBA on September 2, 1992 -- 15 days later. This time lag was unusual and we agree that it was too long. However, in explanation, it must be noted that a mega-disaster, Hurricane Andrew, struck Florida on August 24, 1992, and our resources were stretched thin during the 15 day period in question.

The second example involves a fire in Wessington Springs, SD on February 1, 1993. In that instance, the Governor's request was received by the Disaster Area Office on February 22, 1993 -- 21 days later. On the same date, February 22, 1993, another request

from the Governor was received for a declaration covering a fire disaster in Onida, SD, that had occurred on January 1, 1993 -- 52 days earlier. Both disasters were surveyed at the same time by the same team and declarations for both disasters were signed by the Acting Administrator on March 8, 1993, 14 days after receipt of the requests. Travel and survey time to and from both disaster sites took the majority of the time involved in these instances.

In both instances, the filing period for physical disaster loans has ended, but the filing period for economic injury loans is still open. In Wessington Springs, 17 businesses were interviewed and received applications and thus far 10 applications have been filed. In Onida, 9 businesses were interviewed and received applications and 5 have been filed.

All disaster declaration requests to SBA are handled in the same manner. However, the magnitude of some disasters, e.g., Hurricanes Andrew and Iniki, make the need for Federal assistance immediately obvious and leave little doubt that a declaration of a major disaster will be issued by the President. In smaller disasters, the need is not as readily obvious and there must be on site surveys to determine if SBA's published criteria for a disaster declaration have been met.

Our experience indicates that state and local officials, on site, are best able to make the preliminary determination of whether the damage approaches SBA's criteria. However, issuing a disaster declaration commits the SBA to a course of action, including on site presence at the disaster site, and is not taken lightly by the Agency. This decision requires an SBA on site determination.

2) Provisions to streamline the SBA's disaster declaration process can be developed. Perhaps the SBA's responsiveness could be improved if a district SBA official were involved immediately following the disaster with state officials. What are your comments on this suggestion?

ANSWER: We agree that streamlining the process should be reviewed. However, the suggestion made is not practical. The on site surveys are performed by construction analysts, employees who are trained and experienced in the field of construction, repairs and replacements and estimating the detailed costs thereof. The district offices do not employ construction analysts on their staffs.

3) Would you support establishing a Rural Disaster Assistance Readiness Task Force to study the special needs of rural areas hit by disasters and how the federal government can best provide timely assistance to rural areas?

ANSWER: I would support the idea, but would like to have more information on the details of such a group before I could make a commitment.

4) What are your overall plans for streamlining and improving the SBA's disaster assistance program?

ANSWER: I am proud of SBA's disaster program and the way in which it has risen to the challenge presented by unforeseeable disasters, both small and large, such as the Los Angeles civil disorders, Hurricane Andrew in Florida and Louisiana, Hurricane Iniki in Hawaii and Typhoon Omar in Guam, all in the same year. The staff's initiative, dedication, and flexibility on behalf of disaster victims, within the requirements of their statutory authority and limitations, is commendable. Their accomplishments speak for themselves, as does the fact that this program is held in high regard by the public and elected officials, particularly in view of the adverse reactions and publicity that many other disaster programs receive. However, that does not mean that there is no room for improvement. I will certainly bear your comments in mind as I review the operation of the Agency and its programs in the coming months.

I. SBA DISASTER LOANS -- INSPECTOR GENERAL REPORT

Delinquency Rates

1) Should the SBA, in determining home loan eligibility, mandate the use of the home as collateral?

ANSWER: In so far as it is permitted to do so by law, SBA does require the use of the home as collateral. Refusal by the applicant to put up the home as collateral is grounds for decline or cancellation of a loan. However, the law bars SBA from taking any collateral for loans to individuals of \$10,000 or less.

2) Should the SBA at least have some collateral mechanism for each of the loans programs, bearing in mind that disaster loan borrowers -- because they are faced with unplanned debt -- are more likely than non-disaster borrowers to become delinquent in their loan payments?

ANSWER: In the disaster program, SBA is mainly a cash flow lender. Therefore, SBA does not have any minimum collateral requirement for disaster loans. SBA does, however, require the best available collateral from each borrower to secure its loans, in so far as it is permitted by law. Failure to give such collateral is grounds for decline or cancellation of a loan.

Economic Injury Loans

1) Simplifying the system is a step in the right direction so long as it does not make matters worse in terms of achieving program goals. What suggestions do you propose to further lessen the Economic Injury Loan default rate?

ANSWER: The simplification referred to by OIG was the result of reviewing the efficiency and effectiveness of the disaster program conducted by its staff. This is a continuing process and constant adjustments have and will be made. It must be remembered that the economic injury disaster loans (EIDL) are the most difficult loans in the disaster program and are made only to small businesses without credit elsewhere that need this assistance to remain in business until the effects of the disaster have dissipated. By definition, EIDLs are the riskiest of the disaster loans and would be expected to have the highest delinquency rate.

2) Ability to repay is based primarily on the net cash flows generated by the business and its principals and the applicant's credit history, including that with SBA. Are these loans being made haphazardly by loan officers?

ANSWER: I do not believe so. EIDLs are the most complex of the disaster loans and we try to have them processed (analyzed) by the more experienced loan officers. In addition, not all supervisory loan officers are permitted to review EIDLs. Also, periodic reviews of loan processing are made by teams from the central office to assure that Agency standards are being met.

3) Supervisory loan officers (SLOs) have major control in the loan-making process, with the exception of the underwriting procedures. In light of the present Economic Injury Loan default rate, it seems an obvious conclusion that SLOs must begin to review Economic Injury Loans more vigorously. How do you propose to implement a plan that allows and encourages a more rigorous reviewing procedure?

ANSWER: SBA does not agree that the present EIDL default rate is too high. As stated above, by definition, these are the riskiest of the disaster loans, and the most difficult to process. The approval rate for EIDLs is considerably lower than that for physical disaster loans. More rigorous reviews are encouraged by program management and will follow as the newer SLOs gain more experience and the more experienced SLOs are freed from other supervisory and management duties necessitated by mega-disasters and able to concentrate on their loan reviewing function.

4) Do you agree with the OIG's recommendation?

ANSWER: Yes, to the extent noted above in answer to Question 3. Based on the OIG report, instructions were issued to the Disaster Area Offices to improve the quality of SLO reviews.

Loss Verification Guidelines

1) What suggestions do you have to add consistency to this procedure [the OIG finding that verifiers differ in their compliance with a requirement that applicant's income should be considered in considering the replacement cost of out of sight items]?

ANSWER: The inconsistency results from the need to recruit and hastily train verifiers to meet the demands of the program at a given time. The disaster offices have already been told to improve their training of new verifiers in this regard and to monitor this aspect in their review of individual verifier's work.

2) What are your suggestions to correct this discrepancy (written justification by the verifier for not reducing claimed amounts based on family income is not required for each individual item)?

ANSWER: SBA does not believe there is a discrepancy. The practice mentioned is a practical one, based on the need for speed in processing loan applications and the fact that this program does not have unlimited resources. This decision was based on a balancing of the need for expedition and the safety of government funds.

3) Do you think requiring written justification for all claims would alleviate this problem?

ANSWER: Yes, but it would be impractical. Such a requirement would increase the time required to do a verification and thereby substantially increase the demand for program resources if SBA is to provide disaster assistance within a reasonable time frame.

4) These seem to be reasonable recommendations [procedures to ensure that verifiers not exceed maximum cost guidelines without written justification and that they consider applicant income]? Do you intend to enforce these recommendations and if so, how?

ANSWER: Within the limits set forth in answer to the above questions, SBA agrees with the recommendations and has already instructed the disaster field offices to comply with the recommendations.

5) What will be the cost, if any, associated with these recommendations?

ANSWER: Within the limits set forth in answer to the above questions, there will be little, if any, additional cost.

Fraud Detection

1) Keeping in mind that additional training would be useful, it may not be feasible due to a shortage of time in disaster situations and the limited resources. Do you have any suggestions to correct and improve this problem?

ANSWER: There are limitations in the training we are able to give caused by time and resources shortages, however, in every case some training must be given. The disaster field offices have been instructed to include some detection of fraud training (from a syllabus to be prepared by OIG). In addition, the OIG will be asked to provide a writing that can be disseminated to all disaster employees with helpful suggestions for detecting fraud.

2) Given the deficiency in the system, what are your plans to remedy the fraud problem?

ANSWER: The deficiency in the system involves the entire SBA's record keeping, not that of the disaster program. To resolve this matter may take a major reworking of the Agency's information systems. Because of prior demands on the Agency's resources, a practical solution to this problem has not been developed to date, but we hope to give it serious consideration in the near future.

3) Do you have any information on the status of the work of this task force [to develop a standard training course for use in all Area Offices]?

ANSWER: The task force has concluded its work and an interim training manual has been written. Currently, we are in the process of revising and updating the basic disaster loan processing Standard Operating Procedure, which is the basis for the training manual. When this is completed, a final manual will be written by professional trainers.

4) What are the findings of the Task Force?

ANSWER: The Task Force was to write a training manual. As set forth above, this has been done.

5) Do you agree with this recommendation [to provide formal training in fraud prevention for all employees] and do you intend to implement this strategy?

ANSWER: Yes. The disaster field offices have been instructed to include some detection of fraud training (from a syllabus to be prepared by OIG). In addition, the OIG will be asked to provide a writing that can be disseminated to all disaster employees with helpful suggestions for detecting fraud.

6) What will the cost of this recommendation be to SBA?

ANSWER: Training is a part of the program now. This additional training can be accomplished with little or no additional cost.

7) Does the SBA have a program that would allow the implementation of these recommendations [supervisory review with an eye toward detecting possible fraud and implementing a uniform way of collecting client loan information]?

ANSWER: Supervisors now are aware of the need to, and in fact do, pass on to OIG any indications of fraud. Implementing a uniform way of collecting client loan information necessitates a major undertaking involving all Agency programs and a substantial commitment of Agency resources. In the interim, an improvement involving new software is being tested.

8) If so, what would be the cost and what overall savings and benefits might be realized?

ANSWER: Every additional step taken in the processing of a loan application and every additional review step increases the time required to process an application. In the case of awareness of fraud, however, there would not be additional steps required and the cost would be minimal. The benefits would be to reduce the amount of fraud that is attempted in the program by applicants. However, there are other methods that could accomplish this result with less additional effort by SBA (e.g., have the various U.S. Attorneys prosecute criminal cases referred to them by OIG).

Implementing a uniform way of collecting client loan information necessitates a major undertaking involving all Agency programs and a substantial commitment of Agency resources. In the interim, an improvement involving new software is being tested. The benefit of this suggestion would be to enable SBA to identify repeaters and check the Agency's prior experience with them. Prior actions in dealing with SBA are a major indication of what can be expected in the case of additional SBA assistance.

J. PAPERWORK REDUCTION:

1) I am cosponsor of the "Paperwork Reduction Act of 1993," which is designed to strengthen the original "Paperwork Reduction Act," reduce federal paperwork requirements by five percent per year,

and give the Office of Management and Budget (OMB) additional enforcement authority. I know a number of the members of this Committee also are cosponsors of this legislation. Last year, an identical bill, which I might add has the support of Senator Nunn and the Chairman of this Committee, Senator Bumpers, was supported by the White House but ran into considerable roadblocks here in Congress -- mostly because of strong objections to the Vice President's Council on Competitiveness.

a) Since excessive paperwork requirements are consistently a concern of small business men and women across this country, will you support this legislation as the leading advocate for small business in the Administration?

Answer: I intend to fight hard for the Paperwork Reduction Act. I come from the private sector and have spent my life in small business. When unnecessary government regulations and paperwork stand in the way of productivity no one is helped. The President has charged me with the goal of reducing paperwork requirements for small businesses and it is a top priority for me.

b) Can we have your assurances you will work within the Administration to gain support for this important piece of legislation?

Answer: Senator, I will do everything in my power to reduce the paperwork burdens faced by small business, including working with the Administration to find support for legislative initiatives to improve the Paperwork Reduction Act.

(2) What can SBA do to reduce its paperwork requirements on small businesses, particularly in its loan programs?

Answer: I assure you, Senator, that reducing SBA's paperwork is a top priority for me and I will be looking closely at how to address that problem.

3) Please discuss with the Committee your plans regarding the Office of the Chief Counsel for Advocacy. In the past few years, small business has suffered periodically from not having a strong advocate in that position. The Advocate's Office plays an important role in monitoring the regulatory activities of other agencies and implementing the "Regulatory Flexibility Act" (RFA).

Answer: Senator, you have my assurances that I will work closely with the Chief Counsel and give the Chief Counsel appropriate latitude to conduct the type of regulatory review and monitoring contemplated by the RFA and the statute that created the Office.

4) As a follow-up, please comment on your view of the RFA. The Administration has discussed previously the need for reform in this area. As you know, a concern with the RFA is that it has no

teeth. Perhaps the law should be amended to permit judicial review of agency compliance with the RFA. Otherwise, regulators in other agencies can avoid, as they do now, full compliance with the RFA.

Answer: I agree with your conclusion that the RFA needs to be modified. I am currently studying, with the Acting Chief Counsel, methods for strengthening agency compliance with the RFA that do not require action by Congress. However, I also recognize that for the RFA to truly inculcate small business concerns into the agency decision making process, modifications, including judicial review, may be necessary. I will work within the Administration to obtain support for strengthening the RFA.

5) Next week, the Senate Government Affairs Committee will be considering the nomination of Sally Katzen to head the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs (OIRA). I urge you to seek her out and impress upon her the importance of her agency to small business. In particular, it is important to small business, that she take a strong stand role in urging the enactment of the Nunn-Bumpers-Pressler Paperwork Reduction act. Is that something to which you can commit?

Answer: I will seek out anyone in the Administration who I believe can assist small business. I understand the importance Ms. Katzen's office will have in reducing the regulatory burdens, be they paperwork or otherwise on small businesses. You have my assurance that we will be working with her office to achieve these goals.

6) Last week, one of my colleagues on the Committee, Senator Lieberman, offered an amendment to the EPA Cabinet Bill, which I cosponsored, strengthening role of the Small Business Ombudsman Office within EPA. I think it is essential that the SBA take an active role in working with other agencies, such as the EPA and OSHA which impose heavy regulatory burdens on small business. SBA's purpose should be try and help small business owners comply with the law. I would appreciate any comments you might have on this issue.

Answer: Senator, the SBA is working with other agencies to provide information to small businesses that will help them comply with government regulations. But I think we can do more. In addition, I think we need to keep in mind that strengthening agency compliance with the RFA will go a long way towards alleviating the undue burdens often placed by federal agencies on small business.

K. FAMILY AND MEDICAL LEAVE ACT

As you know, the Family and Medical Leave Act was enacted on February 5, 1993. An amendment I authored was included in this new law and adds both the SBA Administrator and the Secretary of Commerce as ex-officio members of the Commission on Leave. In addition, my amendment directs the Commission to study a variety of issues--such as the law's impact on productivity, job creation, and business growth. Further, specific attention to the law's impact on small businesses and their employees is required.

The purpose of my amendment is to ensure the voices of small business employees and their employers are heard during the implementation of the Family and Medical Leave law.

(1) As the former owner of a firm employing more than 50 employees, did you provide 12 weeks of family and medical leave per year to your employees?

Answer: My former firm historically offered six weeks of maternity leave for normal deliveries and eight weeks for Caesarian births at 100 percent of pay for our employees. In addition, it was our policy to provide as much leave as necessary for employees to recover from illness.

(2) Did your benefits plan include a specified number of weeks of leave or did you provide leave time based upon the unique needs of each employee who requested leave?

Answer: As noted above, we had a standard amount of leave but in one case where an employee had extended hospitalization before the birth of her child, we paid 100 percent of her salary during the whole period she was on leave.

(3) I am concerned that federally-mandated leave benefits may come at the expense of other important employee benefits--particularly in smaller companies. Do you believe my concerns are warranted?

Answer: The General Accounting Office provided Senator Nancy Kassebaum with an estimate of the employer's cost of H.R. 1, the Family and Medical Leave Act of 1993. Based on the GAO survey, the study concluded "there will be little measurable net cost to employers associated with replacing workers or maintaining output while workers are on unpaid leave." Moreover, experience in companies that already have such policies indicates that less than one percent of the work force uses the family and medical leave benefit in any given year. Furthermore, a 1991 SBA Office of Advocacy study concluded "the net cost to employers of placing workers on leave is always substantially smaller than the cost of terminating an employee".

(4) Could you inform the committee of any problems you faced when your employees took leave?

Answer: We had no particular problems during periods of leave.

(5) The employee benefits package is often a significant portion of the employees' total compensation. What other types of employee benefits did your company offer?

Answer: Our company offered life insurance, medical insurance (100 percent of the cost of individual medical coverage), long and short term disability insurance and profit sharing.

(6) If prior to the enactment of the Family and Medical Leave law your company provided leave on an individual need basis, how do you think the new Family and Medical Leave law would impact your ability to retain this administrative flexibility?

Answer: Our policies would remain and we could readily accommodate the changes required by the Family and Medical Leave Act.

(7) What are your thoughts and ideas for assisting businesses in developing feasible administrative policies to implement the Family and Medical Leave law?

Answer: According to Labor Secretary Reich, regulations implementing the Family and Medical Leave Act will be issued by the statutory deadline of June 5, 1993. The Office of Advocacy will examine and evaluate those regulations and work with the Labor Department to assure that the needs of small businesses are met to the extent possible under the law. The SBA will also reach out to small business constituents nationwide through publications and our network of offices to educate small businesses about the requirements of this law.

(8) I would like to know your philosophy on the impact of such federal mandates on small business.

Answer: I believe that all federal initiatives must be evaluated not only for their individual impacts but also as part of the Administration's overall strategy to enhance our ability to meet economic and social challenges. Moreover, any examination of proposals must include an appreciation for the impact on and contributions of small business.

L. MINORITIES -- INDIANS

American Indians are a minority group often overlooked by our government. I always have been a strong supporter of American Indian interests in Congress. They make a significant

contribution to my home state of South Dakota and to this nation. I have held up examples of small, but effective, ideas in South Dakota to promote entrepreneurship on reservations. However, American Indians face very severe and unique problems in their efforts to promote economic growth on many of this country's Indian reservations.

- (1) What do you see as the reasons behind the high rates of unemployment and lack of opportunity on some of our nation's Indian reservations?
- (2) Historically, the majority of 8(a) program contracts have been awarded to companies in the Washington, D.C. area and in California.
 - (a) Why do you think that American Indian businesses in the Midwest--taken as a group--have not competed successfully in this program?
 - (b) What can we do to try and get more 8(a) contracts awarded in the Midwest?
- (3) What can the SBA do better to help American Indians become self-sufficient entrepreneurs?

ANSWER: One term we frequently hear used in the Washington area is "beltway bandit." As you know, this term is used to describe firms that cluster inside and around the Washington Beltway in order to take advantage of the benefits of geographical proximity to the headquarters of Federal purchasing agencies. These firms either have headquartered themselves or established satellite offices that allow them to mount intense marketing campaigns at minimal costs. These firms also enjoy access to a substantial and well educated workforce experienced in working with multiple facets of the Federal bureaucracy.

Many small disadvantaged businesses participating in the SBA section 8(a) program have employed a similar strategy, and just as their non-disadvantaged Washington area counterparts receive a substantial share of Federal contract dollars, so do 8(a) participants located here. Washington area 8(a) firms also benefit from the 8(a) and non-8(a) teaming and subcontracting opportunities generated by their geographic proximity to many other small and large businesses located here. There are approximately 4,300 8(a) firms currently participating in the 8(a) program. Of those firms, approximately 700 are in the Washington District portfolio, meaning they are headquartered in the city or one of the neighboring counties of Maryland or Virginia. Many of these firms are in high technology industries such as computer systems integration and research and development.

California, with its considerable share of naval and other defense activities and aeronautics industry, offers similar advantages to firms located there. Of the approximately 500 8(a) firms in California 18 are owned and controlled by American Indians or Indian tribes.

There are approximately 271 8(a) firms owned and controlled by American Indians or Indian tribes, comprising approximately 6 percent of the total 8(a) portfolio. In FY 1992 they received 376 contracts valued at \$402 million, or nearly 10 percent of new 8(a) contract dollars. In other words, their percentage of contract dollars is greater than their representation, expressed as a percentage, of the total 8(a) portfolio. Black Americans, by contrast, make up 47 percent of the portfolio, and received 40 percent of the total 8(a) contract dollars during FY 1992.

Participants in the 8(a) program that are owned by Indian tribes, Alaska Native Corporations or Native Hawaiian Organizations enjoy several special benefits that are not available for other 8(a) participants. In addition to having exemptions from certain 8(a) eligibility requirements, they also may receive sole source contract awards in excess of the Congressionally mandated 8(a) competitive thresholds and enter into joint ventures with large businesses for the purpose of obtaining and performing 8(a) contracts.

SBA, both at the Central and field office levels, has conducted outreach efforts to assist American Indian firms. These efforts have primarily been informational, providing briefings on the 8(a) program and other Agency programs and services. However, SBA has also provided the kinds of marketing assistance to Indian firms that are available to all 8(a) participants. Provided that adequate funding is available, SBA will continue these outreach efforts in the coming fiscal year. If funding is available, SBA can duplicate an ongoing effort at the South Dakota Business Opportunity Center called "Management and Manufacturing Technical Assistance," which is a project funded by the SBA section 7(j) Management and Technical Assistance Program. Under an SBA grant, the service provider develops commercial and government marketing strategies primarily for firms on Indian lands or joint ventures that involve Indian owned firms in North and South Dakota. Also, the Oregon Native American Business and Entrepreneurial Network has been funded through a 7(j) grant to assist in facilitating the entry of American Indian entrepreneurs into the small business marketplace. Approximately 200 potential American Indian entrepreneurs will be assisted.

M. MINORITIES -- WOMEN

Studies show that women-owned businesses provided employment for close to 11 million people in 1990. Given the growth in women-owned small business, and the decline in large business employment, employment by women-owned business likely soon will surpass that of the Fortune 500 companies if it has not already done so. Yet, with all this success, women in business continue to face unique problems. For instance, in obtaining credit, women face all the traditional problems faced by men. However, they also face such additional obstacles as: lack of traditional collateral; lack of a credit history; and a perceived lack of commitment, experience and confidence in running their own business.

1). Do you have any information as to whether any of these problems -- especially lack of traditional collateral and credit histories -- have improved within the last five to ten years as more women have become increasingly active in their own small business?

ANSWER: We believe that women's access to debt capital has improved substantially over the past 10 years. We have seen a quite steady volume of loans to women owned businesses, and an increasing percentage of loans to women owned businesses in the past several years during which more reliable statistics have been available. While we are sure that some of these traditional problems may continue to exist in one place or another, we do not believe it continues as a general rule.

2). Do you see evidence that old biases -- such as the perceived lack of commitment, experience and confidence -- have given way to reality?

ANSWER: Yes. See answer above.

3). Studies indicate that women-owned businesses fail at a rate of 7 to 11 percent higher than businesses owned by men. Why do you think that is the case?

ANSWER: Information available to us indicates a dissolution rate of 53 percent for women-owned businesses and 48.5 percent for men-owned businesses between 1982 and 1987. It should be noted that the dissolution rate simply means the business ceased operations, it does not necessarily mean that the business failed or that the owner lost money on the business.

We do not have firm conclusions on why the dissolution rate differs. It may be that the average woman owned firm has a lower capitalization than the average male owned firm and thus is not able to survive a downturn in business as easily. There is

speculation that women owned firms are more likely to be testing a new product or entering a new market. Such firms have a higher risk of failure.

The dissolution rate may also reflect certain life choices that are made. Some women may open a home based business during the time when young children are in the home. These same women may dissolve their home based business and accept employment outside the home when the children are older.

4). What can the SBA do better to help improve the status of women entrepreneurs In this country?

ANSWER: We believe SBA has already done a great deal in this area by stressing our desire to make loans to women owned businesses, and making such loans when they are presented. We believe also that our continuing and successful efforts to add qualified women to our loan officer staff has also helped tremendously in proving women's capability and credibility among lenders and the public.

N. MINORITIES -- 8(a) PROGRAM

1) Last Congress there was a proposal to suspend graduation for 8(a) firms for one year because there have been significant revisions to the program in the last several years and many of the firms that are graduating feel like they have not been able to take full advantage of the program.

(a) What are your thoughts on graduation suspension?

(b) What are your thoughts on lengthening the amount of time a company can participate in the program?

ANSWER: There have often been proposals discussed and introduced at various levels calling for an increase in the maximum 8(a) program participation term. There have also been proposals for moratoria on program exits or "graduations."

Public Law 100-656, enacted November 15, 1988, mandated an 8(a) participation term of nine years. It is SBA's position that this program term is sufficient for the business development purposes of the 8(a) program. During the nine year term, 8(a) concerns take advantage of several business development and contracting services and opportunities such as a mechanism for negotiating and receiving Federal sole source contract awards and exemptions to the bonding requirements of the Miller Act.

In accordance with the mandate of the statute, firms that were program participants on September 1, 1988 were "grandfathered."

That is, the program terms of these firms were adjusted to provide a revised term which was the greater of: (1) nine years from the date of the participant's first 8(a) contract; or, (2) the participants's Fixed Program Participation Term expiration date, including any extension, plus 18 months. Under this plan, each firm that was participating in the program when the new legislation was passed received additional time in the program to enjoy the benefits created by the reform legislation.

One of the major concerns about selecting any given window of time for which graduations will be suspended is that selecting the time period will inevitably be unfair to participants that recently exited the program. It would be very difficult for SBA to determine at what point any suspension or moratorium on program terminations should begin and end.

2) The President's Commission on Minority Business Development last year came out with a report with several conclusions. I would appreciate receiving your comments on each of these recommendations. The report defines "socially and economically disadvantaged small business concerns" as "Historically Underutilized Businesses" (HUBS). The report goes on to recommend the following:

- (a) Traditional tripartite 8(a) contract agreements should be eliminated. Agencies should be given the authority to contract directly with 8(a) certified firms. SBA's sole direct involvement with the operation of minority business programs should be confined to implementing a uniform, nationwide system for the certification of HUBs for all federal and federally funded programs.
- (b) An Administration for the Development of Historically Underutilized Businesses (ADHUB) should be created within the Department of Commerce and the federal government's minority business assistance programs should be consolidated under one roof.
- (c) The Commission on Minority Business Development should be reauthorized.
- (d) The mission of the SBA to promote entrepreneurship by providing or facilitating access to capital by those firms in areas of the economy targeted as most in need of stimulation to strengthen the economy of this nation should be reconfirmed.
- (e) The federal government should review the qualifications of people currently charged with implementing the small and minority business programs within the various buying agencies of the federal government and OPM should create a specific job classification for ADHUB

personnel responsible for providing management, financial, marketing, and technical assistance to HUBs. This means, the Commission doesn't think a majority of the people working with minority businesses are qualified.

ANSWER: The first recommendation of the United States Commission on Minority Business Development (the Commission) is that the term "socially and economically disadvantaged businesses" be replaced by the term "historically underutilized business," which the Commission defines in purely racial/ethnic terms. Nothing in the Small Business Act or the legislative comments accompanying the various amendments to the Act allows the conclusion that Congress intended that 8(a) program benefits be limited to members of specific racial, ethnic or cultural groups.

SBA does not believe that it is appropriate to go from the less restrictive eligibility standard of "social and economic disadvantage" to a more restrictive standard that would exclude from 8(a) program eligibility individuals who are socially and economically disadvantaged but who are not members of specific racial, ethnic or cultural groups. In addition, we question whether the validity of a Federal program designed to benefit specific racial/ethnic groups rather than disadvantaged Americans could stand a Constitutional challenge. We also doubt that simply changing the name used to designate a class of businesses will automatically change perceptions about these businesses.

The Commission's second recommendation is that the enabling legislation for the MSB&COD program be changed to: (1) allow Federal agencies to contract directly with 8(a) program participants; and (2) limit the role of SBA to certifying the eligibility of program participants.

SBA currently is considering a legislative package that would, among other things, propose removing SBA from the processes of 8(a) contract execution and administration. In order to protect the integrity of the 8(a) program, and to assure that 8(a) program benefits were accruing only to eligible individuals and entities, SBA would retain its dual roles of determining that a procurement opportunity award is appropriate for the 8(a) program, and that the proposed recipient of the award is eligible. In addition, SBA would require the procuring agencies to report to SBA on a regular basis on its contracting actions.

We do not agree that SBA's sole involvement in minority business programs should be confined to implementing a nationwide certification system for HUBs. However, if this change is implemented, substantial legislation will be required to implement a certification process with such widespread application. In this regard, there are currently a number of statutes which define minority/small disadvantaged business for

the purpose of specific programs. These various statutes would have to be conformed to provide a single definition that could be universally applied to all federal or federally funded programs.

The third recommendation of the Commission report is that legislation be enacted to create a new entity within the U.S. Department of Commerce that would inherit both the authorities and functions of the MSB&COD program, excluding determinations of program eligibility, and the programs of the existing Minority Business Development Agency (MBDA). However, the report does not indicate how the services to be provided by a newly created entity will be delivered, nor does the report describe what level of effort would be needed in order to carry out program delivery. Most importantly, there is no mention of the human and financial resources that would be required to establish and operate the complex organization needed to fulfill the legislative mandates for which, presumably, the new entity would be responsible.

An article in USA TODAY quotes Andre Carrington, Executive Director of the Commission, as stating that the entity to be created would require an annual budget of \$120 million. This figure is approximately 50 percent more than the current budgets for the SBA MSB&COD program and the MBDA program combined. It must be noted, too, that this figure is apparently an estimate of annual operating costs and does not include the necessary "start-up" costs for establishing the proposed agency.

SBA currently has in place a field office structure which provides for the hands-on delivery of MSB&COD program services in every state, the District of Columbia and Puerto Rico. This structure would have to be duplicated in the agency to be established. In a time of shrinking Federal resources, it appears irresponsible to propose a massive reorganization without giving full consideration to comparative costs.

As the report correctly states, SBA's MSB&COD program has evolved over the past 24 years. It is difficult to comprehend how the Commission could conclude that the program should be completely dismantled, particularly when this action will result in a loss to the 8(a) constituency of the huge body of knowledge and experience gained through the implementation of a complex program with scarce resources. We should not discount these collective experiences or the lessons learned by simply sweeping the program away and starting over.

The fourth recommendation of the Commission is that legislation be enacted to reauthorize the Commission as a permanent entity. We are unable to discern what constructive purpose would be served by establishing the Commission on a permanent basis. However, until we have the opportunity to review any new legislative mandate for a permanent Commission, SBA reserves comment on this recommendation.

The fifth recommendation calls for a national strategy for "providing access to capital and credit for minorities in business" that is an "investment strategy -- not a spending strategy." The report states that "Government investment must serve as a catalyst for private investment."

SBA agrees with the substance of this recommendation. SBA is currently providing a similar strategy through the Specialized Small Business Investment Company (SSBIC) Program, originally designated the Minority Enterprise Small Business Investment Company (MESBIC) Program. Under the only Federal program of its kind, SSBIC's are designed to encourage the flow of private investment dollars to small disadvantaged businesses. SBA licenses, regulates and provides matching funds proportionate to the amount of private capital invested in the SSBIC, a strategy that has resulted in the provision of approximately \$1.2 billion in long-term investment dollars for more than 14,000 small disadvantaged businesses since the program's inception in 1969.

Recently enacted legislation contains a provision to allow state and local government funds to be counted as private investment for the purpose of determining SBA's contribution to SSBICs. Such a provision would create partnerships between state and local governments, private investors and SBA.

The sixth Commission recommendation calls for establishing new rigid qualification standards for all Government personnel charged with responsibility for implementing small and disadvantaged business programs.

Public Law 100-656 recognizes that if 8(a) participant firms are to achieve the business development objectives of the program they must be assisted by Business Opportunity Specialists (BOS') who are highly trained. Since 1988, SBA has emphasized the need for ensuring that persons employed as BOS' receive appropriate training. During the past two fiscal years, nearly all MSB&COD staff members have taken one or more training courses designed to improve their technical skills.

We should note, too, that the current MSB&COD workforce is highly educated. A recent SBA training survey indicated that 71 percent of the BOS' and 68 percent of the Assistant District Directors for MSB&COD hold bachelors degrees or higher. Many of those without college degrees have had college-level courses, and all have had appropriate training courses.

Specific courses provided to MSB&COD staff members during the past two years include: (1) analysis and interpretation of financial statements, (2) development of business plans, (3) MSB&COD professional development, (4) Government contract Administration and (5) marketing. The MSB&COD training survey indicated that, since joining the program staff, over half of

MSB's 418 employees have taken courses in contract negotiation techniques, business plans, procurement ethics and judgment, analysis of financial statements and Government contract law.

We believe that the current MSB&COD workforce is well prepared for the challenges of its duties. However, we would be the first to point out that it would be impossible for any one individual, let alone the complete BOS workforce, to have in-depth knowledge of each and every one of the widely varied, and often highly technical, industries engaged in by 8(a) firms. Therefore, beginning with fiscal year 1994, we will increasing our concentration of 7(j) resources earmarked specifically for "industry-specific" assistance for 8(a) participants.

3) On April 24, 1993, the Washington Post reported that the SBA's gay employees association has floated a proposal for a special program for gay business owners similar to the 8(a) minority small business program. A SBA employee, in what appears to be an official capacity, is quoted as saying, "If we can have programs that help other groups, why can't we have programs that help gays?"

- (a) Should this statement be interpreted as the agency floating an idea for a new program or proposal?
- (b) What will be the policy of the SBA in your administration toward setting up new categories of disadvantaged business owners to participate in the 8(a) program?

ANSWER: There is currently no proposal pending at SBA to establish a program similar to the 8(a) program for the gay and lesbian business community. The SBA official quoted in the article was not speaking in an official capacity. My understanding is that his comments were intended to indicate his desire for SBA to conduct outreach activities to assist the gay and lesbian community. He was not indicating nor did he intend to imply that it was being requested or that the Agency was considering implementing a special program for the gay and lesbian business community.

Under our regulations at 13 CFR 124.105(d), groups may petition SBA for inclusion as a group whose members, absent evidence to the contrary, are presumed to be socially disadvantaged for purposes of 8(a) program participation. SBA does not on its own place groups in socially disadvantaged status for purposes of the 8(a) program, but may make such changes upon receipt of an acceptable petition or an amendment to the Small Business Act.

In order to be considered, a petition for group inclusion must be filed by representatives of an identifiable group, and must make an adequate preliminary showing to SBA that the group has

suffered chronic racial or ethnic prejudice or cultural bias. Then, upon the request of the representatives of the group, SBA will publish in the Federal Register a notice of its receipt of a request that it consider a group to be one whose members are socially disadvantaged for the purpose of eligibility for the 8(a) program because of their identification as members of the group.

In determining whether a group has made an adequate preliminary showing that it has suffered chronic racial or ethnic prejudice or cultural bias for the purposes of this regulation, SBA shall determine:

- i) Whether the group has suffered the effects of prejudice, bias, or discriminatory practices;
- ii) Whether such conditions have resulted in economic deprivation for the group of the type which Congress has found exists for the groups named in the Small Business Act; and,
- iii) Whether such conditions have produced impediments in the business world for members of the group over which they have no control and which are not common to all small business owners. If it is demonstrated to SBA by a particular group that it satisfies the above criteria, SBA will publish the notice.

O. TIMBER POLICY

1) I know the President gave the Administration 60 days following the April 2nd Forest Conference in Portland to develop a plan to deal with forest development. Can you tell us if you or the SBA is involved in the Administration's forest policy development?

ANSWER: The SBA is involved through the Office of Advocacy and I have met with the small business forest products industry to review and act appropriately on their problems.

2) Can you give us some details about what the SBA is doing on this issue? If the agency currently is not involved, can you give us your assurance that as soon as possible, you will aggressively work to get the SBA involved and keep us informed on what you are doing?

ANSWER: The President has promised me a place at the economic table and we will address these issues and provide the President with our suggestions.

3) I urge you, in getting involved in this issue, to think creatively about how whatever volume of federal timber is available in the future, can most effectively be used to preserve small businesses in our rural forest communities. These timber reductions may seem most visible in the far West, but I can assure you that they also are occurring elsewhere, including the South, the Lake States and the Rocky Mountain states. Can we have your commitment to follow through on this?

ANSWER: As the Administrator of the SBA I am committed to the current timber sale set-aside programs. However, these programs are dependent on federal timber selling agencies maintaining an optimum annual allowable harvest level. I will encourage those agencies to maintain those optimum levels.

4) The SBA's Denver Regional Office has a slot for a forest industrial specialist, but that position has not been filled for some time. The vacancy remained so long that your FY 93 appropriations bill directed the SBA to fill the job. Unfortunately, with the change in Administration, the position was put on hold until the new Administrator was in place. Please fill this position. It is important for the small business forest products companies in the Denver region. May I have your assurance that you will look into this matter in the very near future?

ANSWER: I am reviewing the situation and recognize the need for the forest industry specialist position for this geographic area to be filled.

P. BANKRUPTCY AND THE SBIC PROGRAM

1) What is your position on the bankruptcy debate concerning SBICs?

ANSWER: Since SBICs are regulated, non-depository financial institutions that receive a major portion of their financing from the Government, we continue to believe it is inappropriate for SBICs to be able to obtain protection under the Bankruptcy Code.

2) Do you favor a statute preventing them from declaring bankruptcy, or do you prefer a regulatory solution?

ANSWER: We favor a statutory prohibition; however, as an interim measure we are developing a regulatory provision to address the matter. We are also discussing a possible legislative proposal that is somewhat less than a statutory prohibition.

3) When are the new regulations for SBICs going to be published for public comment?

ANSWER: These regulations were forwarded to Office and Management for their clearance on June 8. Thereafter, they will be published in the Federal Register for a 60 day comment period.

Q. HEALTH CARE:

By imposing new costs and mandates relating to health care on small companies, the Administration risks idling the only engine of job creation the economy has. Estimates suggest that a mandate like the Administration is developing would effectively add \$1.50 an hour to labor costs at firms that pay, on average, about \$10 an hour. Such a mandate also could result in a loss of about 100,000 jobs among companies that now do not offer insurance, most of which pay at or near the minimum wage.

(1) Are you concerned about these effects?

ANSWER: I would be extremely concerned if I thought the Administration was mandating that employers offer health insurance without offsetting the cost of coverage for small businesses. President Clinton is equally concerned about the effect of mandated coverage on small businesses and the overall impact on the economy.

For that reason, the Administration is evaluating several options to offset the cost of health care reform for small businesses. To date, the options on the table include phasing-in the reforms for small businesses, placing a ceiling on a business' health care payment to a percentage of its payroll, providing subsidies for lower-waged workers and creating a "rainy day" fund.

For those small businesses already offering health coverage, the reform holds the prospect of more affordable rates and provides the newfound security that coverage will never be lost.

(2) What role will the SBA Administrator play in the health care debate?

ANSWER: As Administrator, I will ensure that small businesses are represented by this agency to assist with the development of health care policies that support American small business. It is essential that small businesses are represented in order to provide a balanced analysis of the health care problem.

The Office of Advocacy has been a major contributor in both data and ideas to the health care debate over the last decade and has provided a unique perspective to the on-going health reform deliberations. We have helped refine many of the issues being discussed by the task force and will be providing more economic research data to consider during the debate on health care

reform. The fact that three quarters of all uninsured employees work in small firms highlights the relevance of small business input to health care reform activities.

(3) Small business men and women are frustrated with our current health care system and its rising costs. When talking about health care reform with small business men and women, the strongest opinion I hear is "do something--but no mandates, that's not negotiable." What do you think about mandated health care?

ANSWER: Health benefits are among the most common fringe benefits offered by employers. In order to be competitive with large businesses in attracting and retaining employees, small employers need to offer health care plans as part of their benefits compensation packages.

I believe that small business has an enormous stake in the outcome of the health care debate. Small businesses have without any question seen the cost of their health care skyrocket over the last decade. Some of the statistics I have looked at show that small businesses have experienced increases of 20 to 50 percent annually. Small businesses pay 30 percent more in many cases for the same health insurance that large businesses do. Small businesses' annual increase in health insurance has been about 50 percent greater than the annual increase that large businesses have incurred. Small businesses that I have looked at have taken about every step they can prudently take to try to manage the cost of insurance. They have tried everything from changing programs to managed care, to self-insurance, to cost sharing. They have cut benefits. They got their employees to pay more for the program or they dropped the program entirely.

Unfortunately, the smaller the company the more disproportionate the cost is. I truly think small business has a bigger stake in health care reform than almost any other single group in the country. Two-thirds of the people who work in this country who do not have insurance work for small businesses.

I do not want to get out in front of Mrs. Clinton and Ira Magaziner's commission and take a position at this point in time on any one of the potential solutions to the health care mess we are in. I do intend to be a staunch advocate for the needs of small business and the effect that any health care solution can have on small business when the program is finally put forward.

R. SMALL BUSINESS ADMINISTRATION -- GENERAL

1) One of Congress' favorite activities is requiring agencies to carry out new, politically popular programs--yet often Congress only includes the money to fund the program and does not include the money necessary to administer the program. Therefore, there may be a time when we need to cut or eliminate some of these programs. From your first look at the agency, do you see programs that the SBA should not be handling and that should either be dropped or transferred to another agency?

ANSWER: Over the past few years, Congress has given the Agency the responsibility to oversee a number of special initiative grants. Many of these grants are not authorized and therefore should not be appropriated until proper authorization is provided.

2) After you have been at the agency for six months, would you be willing to report to us your suggestions in this regard?

ANSWER: Yes, I would be willing to present my suggestions to you.

3) During the Bush administration, one of the programs with which House Democrats had the most problems was the ability of SBA to "cosponsor" programs with other groups and associations to provide training and outreach functions for small business men and women. Every year, conditional approval was placed on SBA's ability to cosponsor such programs for fear that cosponsored events would be too "political."

I certainly understand this concern. It is fair to assume that with the new Administration, Democrats on the House Small Business Committee may be less concerned about how political SBA cosponsored events may become. I would like your pledge today, that if confirmed as Administrator, you will see to it that cosponsored events continue to be supported for educational purposes only and that all politics will be kept out of the programs.

ANSWER: I assure you that cosponsored events will continue for educational purposes only and that all politics will be kept out of the programs. The cosponsorship program permits SBA to leverage its resources with nonprofit and for-profit entities of the private sector as well as governmental agencies and, under specified circumstances, certain holders of public office. Many Members of Congress have cosponsored activities, particularly federal procurement conferences. In the training activities cosponsored with for-profit entities the records show that every

dollar invested by SBA yields \$10 in activity cost. Of this \$6 is borne by the private sector and the remaining \$3 comes from attendee fees.

The program is now governed by a Standard Operating Procedure drafted in 1988 after alleged abuse of an activity. The provisions ban cosponsorship with holders of public office below the rank of state lieutenant governor. Applications for cosponsorships clearly identify elected office holders and candidates for office. Required disclaimers on printed materials make it clear that SBA does not endorse opinions, products or services. The SOP was strengthened in 1992 to ensure that all parties to a cosponsorship clearly understand responsibilities under such laws as the Hatch Act. Moreover, office holders and candidates may not cosponsor in the 12 months before their names appear on a ballot.

4) What is the status of the White House Conference on Small Business? Is it possible for it to be held as scheduled?

Answer: The President and I are fully committed to the White House Conference. The President has charged me with being his eyes and ears in the small business community and the White House Conference affords us a wonderful opportunity. We will work with Congress to get the conference up and moving as quickly as possible.

Follow-up questions from
Senate Small Business Committee
Confirmation Hearing

Ersine B. Bowles, Administrator-Designate
U.S. Small Business Administration

SENATOR LAUTENBERG

1) GENERAL ECONOMY: No issue is more important to me than creating jobs in my state and putting people in New Jersey back to work. Small business will be crucial in getting our jobs machine up and running. To cite but one example, between 1987 and 1992, large firms lost a net 2.3 million jobs. During the same period, small firms -- those with fewer than 100 employees -- added a net 5.8 million jobs, and more than four out of five of these new jobs were high-paying ones.

Across the corporate landscape, business women and men are realizing that large, lumbering organizations have become relics of another era. In a 21st century economy of intense international competition and unrelenting change only certain types of businesses will survive: the lean, the nimble, and the responsive. Others will go the way of the Tyrannosaurus Rex. Small businesses can lead us into this new economy -- provided that we create the conditions that allow them to flourish and produce new jobs.

* Do you agree that smaller firms must occupy a central place in any national economic strategy?

ANSWER: Much of my business experience has been in helping small and medium-size businesses find capital necessary for growth. I would not have agreed to take this position if I did not fully believe that small businesses occupy a central place in our economy. I think it is essential to ensure the vitality of small businesses because of their importance to this country's economic future.

* What role do you envision for small business in the Administration's larger plans to create jobs and rebuild the economy?

ANSWER: I believe that small business plays a crucial role in revitalizing the American economy. President Clinton, as he mentioned in his State of the Union message, also believes that small businesses are a crucial element of economic growth. I expect to work closely with the President and others in the

Administration to ensure that the contributions of small businesses to the American economy are maximized.

* What programmatic role do you and the President envision for the SBA in carrying out the Administration's economic program?

ANSWER: The SBA program offices can provide a number of important functions to assist the President in revitalizing the American economy. First, the SBA loan and investment programs can assist small businesses in obtaining capital at a time when the availability of credit, due to previous problems in the banking industry, is tight. Second, the SBA provides technical assistance to help small businesses improve their management. This will turn them into those lean responsive businesses that you alluded to in your preface, Senator. Third, the SBA, through its Office of Advocacy, can help reduce the regulatory burdens on small businesses. An unshackled small business sector will be able to be more productive and responsive to the challenges of a global economy.

2) REFORMING THE SBA: In our meeting a few weeks ago, you described some of your recent visits to SBA offices in Washington and elsewhere in the country. You said you discovered talented and dedicated employees, but that workers were operating in an atmosphere of malaise and disenchantment. You also made the important point that the SBA is really a retail operation -- but one that has lost touch with its customers. I commend you for your businessperson's plunge into the thick of things to find out how the agency is really working.

* One way you hoped to begin to address customer needs is to hold a series of town meetings across the country with small business people. As a former business person and as a new member of this Committee, that is something I too am planning in my own state. So why not save taxpayers some money? Would you be willing to come with me to New Jersey to listen to our small business entrepreneurs and workers?

* How do you intend to revive the morale at the SBA and inject a sense of purpose into the organization?

* Can you describe how you will reorganize the SBA so that it can better serve its customers, the women and men who operate America's small businesses?

ANSWER: I do intend to hold a series of town hall meetings across the country to get a feel for what small business owners are thinking and what they feel are the areas in which the federal government can best help them. While I would certainly appreciate the opportunity to come to New Jersey, I am still in the early stages of planning this initiative and will have to defer a commitment to specific sites until a later time.

I think the first ingredient in boosting morale at SBA is already in place. We have a mandate from President Clinton to revitalize the agency and once again make it the champion of small business. We have a President who really understands small business and who is ready to tackle the host of problems that face our economy.

With regard to reorganizing, we are considering possible areas for reorganization, doing a management review, and identifying areas for savings in the agency's operations budget. Possibilities for savings may include setting up administrative loan servicing centers and reassigning staff from the Central and regional offices to the district offices. My management philosophy is to push our resources down to the field where our customers are. I believe that an increased emphasis on customer service will not only improve our delivery to small business owners, but give agency employees a renewed sense of pride in their work.

3) EXPORT PROMOTION: America's companies cannot prosper unless they are able to compete throughout the world economy. For many firms in my state, including a vast number of firms, exports are a crucial factor in their economic health. As you continue to chart the SBA's course, keep in mind the growing importance of exports to small companies.

The SBA and other government agencies and departments currently run a handful of export assistance programs. The SBA, in fact, recently produced a new videotape, informing small businesses about the basics of exporting. But many of these programs remain splintered, unconnected, and too often inaccessible to small companies.

* I am working on legislation to create a pilot program of "one-stop shops" for small business export assistance. These one-stop shops would locate federal, state and local government offices under one roof and train their staffs in a coordinated way. Would you support an effort like this?

ANSWER: It is my belief that success of the one-stop shop concept is not contingent on having every export assistance provider located in one place. In some cases it would be impractical to accomplish this because the assistance providers may include federal, state and private sector organizations which may have a variety of important responsibilities in addition to export assistance.

In essence, a one-stop shop could be a local community network, promoted through the SBA's extensive network in a focused marketing outreach program, designed to facilitate access to appropriate export development services for businesses at whatever stage they are in the export process. The concept

of coordination of the service and information which small businesses need is more practical and urgently needed. Coordinated training is essential, so that the staff can present a focused effort to the businesses using the services.

Your concept of establishing a "physical" location for the one-stop shop, which might best be attempted initially as a pilot project, is a good one. The actual physical location could be a storefront "international trade service center" where all information could be obtained, at least for preliminary research and referral. Representatives of different federal, state, local and private sector organizations could have a presence, depending on the location. SBA is considering a range of options that include: 1) Business Information Centers (BICs), located in six cities throughout the United States and staffed by SCORE volunteers. BICs deliver business development services to small businesses and could readily deliver international trade assistance through SCORE volunteers trained in international trade services; 2) International Small Business Development Centers (ISBDCs), now numbering 20, are located in colleges and universities throughout the United States and are staffed by international trade specialists; and 3) a "service center" option which would include access to the National Trade Data Bank, the World Trade Center Network and the World International Trade Data Network.

These could be staffed by competent counselors able to customize the information so as to assist walk-ins in developing practical export marketing plans, financing and implementation of these strategies. Thus, complete turnkey service could be provided through one network or location. Public/private partnerships would be essential for the success of this type of center. The major information providers, such as SBA, DOC, state offices, area EMC/ETCs, banks and freight forwarders, would maintain close affiliations with the Center or actually provide staff.

The physical location ought to be negotiable at the local level to be workable within the local trade community. Each community would develop its own strategy for what works best.

* One area in particular that I believe has great growth potential for New Jersey and the nation is the export of environmental goods, services, and technologies -- a global market expected to reach \$300 billion by the end of the decade. I have written legislation that creates a Global Greentech Initiative, and EPA-led effort to assist U.S. firms in capturing this growing market. Do you support initiatives such as this to provide financial, technical and export assistance for America's environmental firms, a large number of which are small companies?

ANSWER: Senator, I do. This new growth market provides an excellent opportunity for U.S. companies, traditionally the

leaders in environmental technologies. In maximizing market penetration, however, U.S. businesses, particularly small businesses, face a number of obstacles, not the least of which are the tasks of gathering market information, completing export documentation, sourcing and financing for international ventures and getting paid. In addition, current and new exports of environmental goods and services face coordinated environmental trade policies from countries such as Canada, Japan, Italy and the United Kingdom.

Initiatives are needed which will support small businesses to access financial and technical assistance aimed at increasing the export of environmental goods and services to these new markets. The SBA is cosponsoring an initiative with EPA which will produce a series of audio cassettes and a guidebook entitled "Globally Green" to provide relevant and helpful information to business executives producing environmental goods and services. Although the number of resources and specific funding for the environmental industry are increasing yearly, most small business owners either are not aware of these resources or misunderstand how to access them. The tape set and guidebook will introduce current and potential exporters of environmental goods and services to the intricacies of exporting as well as the government resources available to assist exporters. SBA will distribute the "Globally Green" information package through its network of field offices and at conferences and seminars. EPA will also distribute the tape set using its clearinghouses and programs.

In addition to the usual distribution methods, SBA and EPA envision that the cassettes could be used on radio business programs and other audio broadcast media to expand the use and reach of this resource. SBA expects to complete work on this project and begin distribution in October of this year.

SBA continues to be an active participant of the Trade Promotion Coordinating Committee U.S.-Asia Environmental Partnership (US-AEP) Working Group. We are involved in both the export promotion and financial subgroups. Recent talks with the US-AEP call for the SBA to serve as a more active participant by acting as a conduit for distribution of project and opportunity information to small businesses.

4) ASSORTED ISSUES:

* If there's one issue I hear about from virtually every small business in my state, it's the credit crunch. The Administration, as you know, has taken some steps to loosen the regulations that inhibit banks from lending to credible small businesses. From your post at the SBA, what else can be done to ensure that our small entrepreneurs get the capital they need to start and expand small businesses?

ANSWER: The so called "Credit Crunch" is not the historic shortage of lendable funds. The banks seem to have plenty of money to lend, they are just afraid to lend it! As the regulatory agencies put increasing pressure on the banks, non-discretionary borrowers, those that needed working capital or line of credit loans just to keep their doors open, and those who regularly borrowed from banks, found themselves shut off by the banks. The banks felt they had no choice since classification of those loans would have very serious consequences in terms of reserve requirements.

The regulators seemed to have shown very little judgment in their reviews, and particularly failed to understand the difference between speculative real estate and operating real estate. The regulators have classified loans where real estate collateral has dropped in value, even though the loan remained current through the operation of a business headquartered in, or otherwise operating out of the real estate without regard to its collateral value.

For these reasons, lenders have approached SBA seeking the SBA guaranty to protect themselves from stringent, or excessive regulatory action.

I believe there are two actions that can make a significant difference for small business:

- (1) The funding for SBA's 7(a) lending program must be restored so lending can be continued.
- (2) The regulators must soften their approach in the classification of bank loans.

* This country faces the monumental task of converting from an economy based heavily on military to one based almost exclusively on providing consumer goods and services for the rest of the world. What role do you see for small business in these conversion efforts? What role for the SBA?

ANSWER: Small Business definitely has a role in defense conversion. To re-state a well known phrase: For the past 40 years, SBA has been providing the fuel for the economic engine of America's economy -- small business. SBA has an even greater role to play today -- to provide support and assistance which will encourage stability and growth for existing small business and to continually stimulate the entrepreneurial spirit to create new small businesses. It is clear that corporate America has no choice but to downsize and incur job loss. Therefore, small businesses must be expanded or created to provide ways for people to earn a living.

SBA has already taken a pro-active role in conversion efforts by developing and implementing a new pilot program, Transition '93, which will focus on individuals facing job loss as a result of defense conversion -- corporate downsizing, military cutbacks, and base closings. Transition '93 will make available small business opportunities, support assistance and access to all SBA training, development and counseling resources. The pilot program will be implemented in East Hartford, Connecticut, where surveys by independent consultants and the Connecticut Department of Labor indicate that approximately 40 percent of displaced workers would like assistance with starting their own small business and 15 percent have chosen self-employed and already started the process of small business ownership.

SBA has also been involved peripherally in defense conversion through its involvement for the past two years in ComDef (Common Defense Forum), an international defense procurement symposia and exhibit. Recognizing the changes occurring in the defense industry, the organizers of ComDef invited the SBA to participate in this conference to assist small businesses involved in defense procurement learn about global opportunities with foreign governments. Small business attendees and exhibitors at the conference were given access to defense procurement divisions of more than 20 countries. The Office of Procurement Assistance, the Office of Veterans Affairs and the Office of International Trade at SBA were all involved in the ComDef effort.

SBA is presently in negotiations with the organizers for an event to be held in 1994 entitled "Unisphere" which, as one of its components, will be addressing the defense conversion issue. The organizers hope to attract American small businesses in defense industry sectors to the conference and attempt to match them with international partners.

Additionally, the SBA's financing programs -- 504, 7(a), Small Business Investment Companies -- are open to small business owners who want to, or need to, diversify their business as a result of defense conversion.

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U.S. Small Business Administration

SENATOR HARKIN

As a member of the Senate Committee on Small Business and as Chairman of the Senate Subcommittee on Disability Policy of the Labor and Human Resources Committee, I have long been concerned that persons with disabilities have an inordinate amount of difficulty in meeting the SBA's criteria for socially and economically disadvantaged persons and, thus, are unable to access the 8(a) program even though they are clearly among those Congress intended to benefit from the program.

Over the past several years, I have seen many examples of the systematic exclusion of persons with disabilities from the economic marketplace. The Americans with Disabilities Act was passed in an effort to eliminate this exclusion. The SBA plays a critical role in this effort by providing persons with disabilities with the means to gain their rightful place in the economic mainstream of society through small business ownership.

I am considering sponsoring an amendment to the SBA Act that would include persons with disabilities as one of the groups presumed to be socially disadvantaged for purposes of eligibility for the 8(a) program. It is critical that persons with disabilities have access to programs that encourage small business ownership and that the unfair barriers faced by persons with disabilities in SBA programs be eliminated. If you have any comments about such an amendment, I would be interested in hearing them. You may share your comments by contacting my staff on the Subcommittee on Disability Policy.

ANSWER: Other than the handicapped assistance loan program created by Congress in section 7(a)(10) of the Small Business Act, Congress has created no other specialized programs within the Small Business Act for persons with disabilities.

Current 8(a) program eligibility criteria requires that applicant concerns be at least fifty-one percent owned and controlled by socially and economically disadvantaged individuals. Under current regulations, members of the following groups are presumed to be disadvantaged: Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, and Subcontinent Asian Americans. An individual who is not a member of one of these

groups may become eligible for participation in the 8(a) program by providing clear and convincing evidence that he or she has personally suffered chronic and substantial social disadvantage.

Congress made numerous findings in enacting the 8(a) program which guide us in implementing the program. Congress found that conditions of lack of productive capital and limited opportunity for small business ownership exist for the groups it specifically named in the Small Business Act (Black Americans, Hispanic Americans, and Native Americans).

SBA recognizes that Congress made numerous findings regarding persons with disabilities in support of the Americans with Disabilities Act (ADA). However, we do not believe that the ADA Congressional findings themselves mandate that SBA declare persons with disabilities to be socially disadvantaged for purposes of the 8(a) program.

The ADA includes general findings that "people with disabilities . . . are severely disadvantaged . . . vocationally, economically, and educationally;" and that discrimination persists "in such critical areas as employment, housing, public accommodations, education, transportation, communication, recreation, institutionalization, health services, voting, and access to public services."

These findings make no reference to any lack of access to productive capital or to business ownership opportunities for individuals with disabilities. Instead, Congress emphasized that the purpose of the ADA was to allow individuals with disabilities to become more self-sufficient and move in the "mainstream of society," by improved access to telecommunications and public transportation and freedom from discrimination in employment. We do not believe that these generalized findings about discrimination which affects one's life in a personal sense are equivalent to the specific findings regarding lack of productive capital and business ownership opportunities which Congress made with regard to certain groups, in the Small Business Act.

Congress also made no specific findings with regard to whether discriminatory conditions have produced any impediments for people with disabilities in the business world not common to all small business owners. As a result, we do not believe that the ADA findings are directly relevant to this element of the 8(a) program.

Groups may also petition SBA for inclusion as a designated socially disadvantaged group. However, we have not received a petition from persons with disabilities that meets the criteria required by SBA regulations showing prejudice, bias, or discrimination and a resulting economic deprivation and impediment to business.

I do want to assure you of my determination that SBA make every effort to ensure that our programs fully support small businesses owned and operated by handicapped individuals. I stand ready to work closely with you in furtherance of this goal.

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U.S. Small Business Administration

SENATOR BOND

1) PAPERWORK: Many members of the Small Business Committee have supported legislation in the past which is aimed at reducing the federal paperwork burden imposed on small businesses. Congress is aware of the problems that small businesses have obtaining information and formally complying with federal paperwork requirements, yet the government continues to impose more regulations on small business and the result is more paperwork. As an example, the President's Economic Plan would require small business owners to complete additional forms (IRS Form 1099) reporting payments to other corporations. Currently, business owners who make payments in excess of \$600 per year to an individual in exchange for services must file a form 1099 with the IRS to report the amount paid. Payments made to corporations need not be reported. The proposal would change current law and require business owners to also report payments made to corporations for services. The result would be to double or even triple reporting paperwork for the average small business owner.

In light of the President's proposal and the Administration's proposals to increase labor and environmental regulations, what can we do to ensure that small business are not furthered burdened more paperwork?

ANSWER: I believe that a number of alternatives exist to ensure that small businesses are not trampled by an ever-increasing flow of paperwork. First, in my position as Administrator, I will work within the Administration to reform and strengthen the Paperwork Reduction Act. Second, to the extent that regulations are developed which do not fully consider the impact on small businesses, including associated paperwork burdens, I believe that improved compliance with the Regulatory Flexibility Act may allay some of your concerns. Third, I will work with both the Chief Counsel and the Office of Management and Budget to improve lines of communication and ensure that agency decision makers are made aware of small business concerns.

2) BTU TAX: The proposed BTU tax will increase the manufacturing and transportation costs of every product. Since small business owners consume more energy than the general public, they will pay a disproportionately high percentage of the BTU tax. New energy

intensive businesses will have a difficult time making ends meet and could end up paying the same amount of tax as more established enterprises which are very profitable. It is feared that the BTU tax will harm the international competitiveness of U.S. businesses. Additionally, rural businesses including farms will be especially hard hit by the BTU tax due to increased operating costs.

What role will the SBA play in ensuring that small businesses receive fair treatment under the proposed BTU tax?

ANSWER: The Administration's proposed energy or "BTU" tax will accomplish four objectives: (1) reduce environmental damage; (2) conserve energy; (3) reduce dependence on foreign sources of energy; and (4) reduce the deficit. In fact, every dollar of revenue raised from the energy tax will be applied to reduce the deficit.

I share your concern that the BTU tax may have a disproportionate effect on certain industries. While I do not want to riddle the energy tax with exceptions, I will do my best to ensure that the tax does not unfairly affect any segment of the small business community. I believe the Administration and Congress also share these concerns, as evidenced by the House's action to exempt from the energy tax diesel fuel and gasoline used on farms.

3) CREDIT AVAILABILITY: Recently, funding was restored at the FY 1993 level for the Small Business Development Centers program. It is proven that the SBDC Program is effective and important to implementing technical assistance provided to small businesses.

Does the SBA have a plan to ensure that the annual battle for SBDC program funding will not be an issue for FY 1995?

ANSWER: Prior to the beginning of each fiscal year projections are made regarding required SBDC Program funding for the ensuing year. Projections are based on the SBDC funding formula established by the Congress, and SBA policies governing SBDC Program growth and development.

The SBDC Program is just one of the many programs the Agency includes in its budget request to Congress which, as you know, requires approval from the Office of Management and Budget. We believe that full consideration is always given to all of the Agency's programs and priorities, including the SBDC Program. Accordingly, for FY 1995, as in the past, we plan to submit a realistic budget request for SBDC funding.

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SENATOR MACK

QUESTION:

TAXES:

Higher taxes and more government have never led us our country of economic difficulties. Higher taxes don't create permanent jobs. Yet, it seems we hear proposals for higher taxes (VAT, BTU, etc.) coming out of the White House every couple of weeks, many of which will hit small businesses the hardest. What will you do to fight these onerous new burdens on behalf of small business owners and the employees who will lose their jobs because of higher taxes?

ANSWER: President Clinton's tax proposals should not be considered in a vacuum, but as part of an overall economic plan and other subsequent proposals which offer many benefits to small business. I have no question that the Administration strongly supports the SBA's 7(a) guaranteed loan program. In addition, the President's proposal to reduce capital gains taxes for investors in small businesses as well as increasing the IRC Section 179 expensing allowance from \$10,000 to \$25,000 will be beneficial. The Administration's plan also includes a number of provisions which will benefit small businesses, such as permanently extending the research tax credit and temporarily extending the 25 percent health insurance deduction for self-employed individuals.

According to the Department of the Treasury, approximately 7 million taxpayers file tax returns where the vast majority of their income is in the form of income from business operations. Of those, approximately 300,000, or 4 percent, would experience an increase in marginal tax rates under the President's plan.

Finally, the Administration's plan tackles our country's enormous deficit -- the biggest obstacle inhibiting the growth of our economy. By significantly reducing the deficit over the next five years, the plan will reduce interest rates and free up funds for business expansion.

FOLLOW-UP QUESTION: What specific assurances has the Administration given you that your views on behalf of small business owners will be addressed?

ANSWER: I have a personal relationship with the President and he has asked me to report to him directly about the needs of small businesses. I also serve on the Economic Policy Council, which will thus assure small business a place at the table with regard to economic policy decision-making.

QUESTION:

HEALTH CARE:

In a recent poll conducted by the NFIB, the number one concern of small business owners is the rising cost of health care. They are becoming increasingly concerned that the Federal government will mandate that small business owners provide health insurance for all employees. Will you support mandated health insurance for small business?

ANSWER: I would be extremely concerned if I thought the Administration was mandating that employers offer health insurance without offsetting the cost of coverage for small businesses. President Clinton is equally concerned about the effect of mandated coverage on small businesses and the overall impact on the economy.

For that reason, the Administration is evaluating several options to offset the cost of health care reform for small businesses. To date, the options on the table include phasing-in the reforms for small businesses, placing a ceiling on a business' health care payment to a percentage of its payroll, providing subsidies for lower-waged workers and creating a "rainy day" fund.

For those small businesses already offering health coverage, the reform holds the prospect of more affordable rates and provides the newfound security that coverage will never be lost. As Administrator, I will ensure that small businesses are represented by this agency to assist with the development of health care policies that support American small business. It is essential that small businesses are represented in order to provide a balanced analysis of the health care problem.

FOLLOW-UP QUESTION: Do you believe small business, regardless of size, should be able to pool together to purchase health insurance?

ANSWER: Yes. I believe that some sort of pooling mechanism, or purchasing cooperative, will be a major part of the President's health care plan. Small businesses desperately need this,

because the cost of their coverage is often rising swiftly, while in many other cases, coverage is simply not available.

QUESTION:

CREDIT CRUNCH:

The credit crunch does not appear to be nearing an end and it is worse for minority and women small business owners. The recent Price Waterhouse study of SBA's 7(a) loan program indicates that the program is successful and works well for small business owners. At what levels would you advocate the 7(a) loan program be funded?

ANSWER: To be effective, the SBA must be sufficiently funded to meet its demand level. Last year that level was \$5.6 billion. This year, it appears the demand level will rise to over \$6.5 billion. If there is no easing of requirements by the regulatory authorities, demand levels could easily exceed \$7 billion next year.

FOLLOW-UP QUESTION: What steps will you take to reduce the paperwork SBA requires of both the applicant and the bank making the loan?

ANSWER: SBA has been working for many years to reduce the paperwork burden to a minimum. I am a firm believer in eliminating paperwork, and I promised the President I would review the SBA's loan applications to see how we could reduce this paperwork. I will look into this.

QUESTION:

REGULATION AND MANDATES:

As I mentioned in my opening statement, small business owners believe they are being regulated and mandated beyond control. The Regulatory Flexibility Act is supposed to be the protector of small business interests in the Federal Government, but it's not working well. What changes do you believe need to be taken to strengthen the Regulatory Flexibility Act?

ANSWER: The imposition of judicial review would strengthen the Act by ensuring that federal agency failure to comply will be answerable in the courts. In addition, the RFA must be clarified to ensure that agencies examine indirect as well as direct impacts on small businesses. Often agencies issue rules that only have minor direct impacts but the indirect impacts are quite onerous.

FOLLOW-UP QUESTION: Do you believe the Regulatory Flexibility Act should be applied to the IRS?

Answer: Yes. The IRS issues many regulations that they call interpretative and thus not subject to the RFA. Yet, for all intents and purposes, these pronouncements have the same effect as a substantive regulation with the same impact on small business. I strongly believe that such rules must be made subject to the requirements of the RFA in order to ensure that the IRS does not ignore the burdens that they are imposing on small business.

QUESTION:

ADVOCATING FOR SMALL BUSINESS:

As I mentioned during my opening statement, small business owners will be looking to you to serve as their advocate within the administration.

How will you convey the opposition of small business owners to proposals supported by the Administration?

ANSWER: Senator, I intend to be a forceful advocate for small business within the Administration. I believe that is the very reason the President asked me to serve in this position. Let me also say that I intend to work closely with the Chief Counsel for Advocacy to advance the concerns of small business. I view the Office of Advocacy as a strength for the SBA and will ensure that the Chief Counsel has the latitude and independence to fulfill that important role. To the extent that agencies issue regulatory proposals that may adversely affect small businesses, I will work with the Chief Counsel and the Office of Management and Budget to ensure that the small business perspective is considered. I also believe that when small businesses sit down and truly examine the President's proposals in their entirety, they will see that they provide substantial long-term benefits.

QUESTION:

DEFINITION OF SMALL BUSINESS:

Some laws define a small business as those with less than 50 employees, others use 100 employees, while still others base the definition upon gross sales. How would you define "small business"?

ANSWER: There is no simple definition of a small business because of the variation among industries throughout the economy and the uses of small business definitions for varying program

purposes. SBA does use 500 employees for most manufacturing industries and \$3.5 million in gross revenues for most service and retail trade industries.

FOLLOW-UP QUESTION: Do you believe there should be one uniform definition of the term "small business"?

ANSWER: The purposes of different programs make it impractical to have just one definition. For example, the definition used for the Americans With Disabilities Act (25 employees) is not practical for regulations on small business in the securities markets. However, I am currently undertaking a review of SBA's size standards with the goal in mind of drastically simplifying our size regulations.

QUESTION:

HURRICANE ANDREW:

As you know, South Florida is still recovering from the damage sustained by Hurricane Andrew. We have had very good cooperation from SBA staff in the processing of emergency assistance loans. Can I have your personal assurance that the necessary staffing levels will be maintained so the process continues to be uninterrupted?

ANSWER: Absolutely. We are in Florida for the long haul. We currently have 126 staff members in Miami and 15 in Tampa who are dedicated exclusively to disaster loan processing, in addition to numerous others in our Atlanta regional office. We will maintain staff levels at a level necessary to complete the job for as long as it takes. Other disaster situations will not affect this.

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U.S. Small Business Administration

SENATOR BENNETT

First Priority Questions

1) States with relatively small populations and large land masses such as mine are at a distinct disadvantage with the SBA funding formula for the SBDC Program.

Would you be supportive of efforts to modify the funding formula to enable small states that are currently at "cap" to apply for unobligated funds (presuming they have sufficient match), so that they can more realistically serve the small business needs of their states?

ANSWER: SBA does not favor a modification of the funding formula to create sub-categories of SBDCs based on the size and population of states, as some have suggested. However, we are certainly willing to work with Congress to help develop a statutory allocation of funds among the states which would better accommodate SBDCs serving relatively small populations and large land masses.

2) The SBA has defined "small business" as 500 or fewer employees and/or up to \$17 million in annual receipts for certain industries. In addition to micro-loans, do you foresee any other special programs on the horizon for the VERY small companies -- those with fewer than 10 employees or less than \$1 million in annual receipts?

ANSWER: As we embark on our comprehensive review of SBA programs with an eye towards reorganization and restructuring, we should certainly keep uppermost in mind the very important contribution of the "smallest businesses" to which you refer. The fact is that most small businesses are started with less than \$10,000 in capital. Much of our effort is geared towards providing developmental services for these businesses, which helps ensure that our loan funds are well spent.

3) The SBA 7(a) program is currently out of guaranty authority for this fiscal year. When would you propose the usage of funds from other SBA accounts, i.e. reprogram funds from the SBIC program, etc.?

ANSWER: There are several reasons why we did not request a reprogramming of funds. Among them is the fact that the Administration initially felt that the Economic Stimulus Package would be passed. But just as important, none of our other current business guaranty program levels reflect a significant excess able to absorb the amount needed for the General Business Guaranty Program. If we reprogrammed SBIC credit subsidy funds of \$14 million, this would generate only \$282 million in additional General Business Guaranty lending. This would fund the program for approximately 10 or 11 days, based on our actual daily usage.

Any reduction in the direct business or the Disaster Loans appropriations would require congressional action to transfer funds. We understand that both the Administration and the Congress are working on alternative supplemental proposals which would provide additional General Business Guaranty funds.

4) Do you support the independent role Congress created for the Chief Counsel of Advocacy?

ANSWER: I believe that the Chief Counsel should have sufficient latitude to carry out the functions mandated by Congress. Clearly, that latitude comes with a significant degree of independence.

* Would you explain the relationship you expect to develop between yourself and the Chief Advocate?

ANSWER: I am committed to having an effective Chief Counsel for Advocacy. I view the Office of the Chief Counsel for Advocacy as a strength of the SBA and expect to have a cooperative relationship with the Chief Counsel which will ensure that small business viewpoints and concerns are voiced.

5) Current loan volume forecast for the 504 loan program for FY '93 is about \$800 million. The appropriated volume is for only \$700 million. How does the Administration plan to meet the growing demand for 504 loans, and avoid the recent funding crisis of the 7(a) program?

ANSWER: The 504 program has an very low subsidy rate of .54 percent. With this rate, a small reprogramming from either the 502 or SBIC program would cover any shortfall up to the present authorization level of \$775 million. To go above that amount would require a legislative increase in our authorization level. SBA will work with our authorizing committees to accomplish this.

6) Would you explain your view of the relative merits of the SBDC (Small Business Development Centers) and the SCORE (Service Corps of Retired Executives) Programs?

ANSWER: Both programs are excellent business development resources of the Agency, and they have provided an invaluable service to small business communities all over this country. The two programs are similar in many ways, but they are also different in terms of structure and delivery systems.

The Service Corp of Retired Executives (SCORE) is an organization consisting of 13,000 dedicated volunteers, who help prospective and existing business owners and managers identify and resolve problems. SCORE Association membership is comprised of both retired volunteers and currently employed, full time executives. As a result of their prior employment or ownership of a business, these volunteers are experienced in all aspects of business operation and management.

SCORE serves small business communities through SCORE Chapter or Satellite offices located around the country. These offices are contained within SBA field offices, other federal office buildings, chambers of commerce, libraries or space provided gratis by the private sector. The average SCORE Chapter is comprised of approximately 35 members.

SCORE counselors provide one-on-one counseling with small business owners/managers as well as conduct training workshops on specific business topics to larger groups. SCORE members will also interact with other SBA resource partners, namely Small Business Development Centers (SBDCs) and Small Business Institutes (SBIs), providing their expertise and business acumen to the academic sector.

The SCORE mission is the same as that of the SBA -- to help people to get into business, stay in business and to prosper and grow. The SCORE slogan, "We volunteer our expertise to cultivate America's growth" denotes the premise that stimulates the SCORE Program. The incentive for each of the SCORE members is to see the development, maturity and success of small businesses, and to be a part of that process.

Calculations for Fiscal 1992 have determined that the SCORE program costs the American taxpayer less than \$3.00/hour for its 1.156 million hours of counseling for more than 223,000 business clients and for the 3,800 workshops conducted for the benefit of more than 114,000 attendees. Counseling cases and workshop attendance have increased by approximately 10 per cent annually.

The Small Business Development Center (SBDC) Program was legislated by Congress in 1980. Through federal appropriations and a minimum equal amount from host organizations, the program

provides basic assistance such as one-time or continuous management counseling, as well as training assistance (courses, seminars, and workshops), technical assistance, and research assistance to prospective and existing small business clients. Small business clients can also receive a variety of specialized services from the SBDC network. Specialized assistance includes international trade assistance, rural economic development, procurement assistance, capital formation, and other types of business assistance.

The SBDC Program is a partnership of government (federal, state and local), and the private sector. It utilizes the resources of government, the private sector, and institutions of higher education for the benefit of the small business community.

7) Last year 7(a) and 504 loan volume grew at about 25 percent, and this year's volume will increase at a similar rate. Both programs are vital to the U.S. economy in order to provide credit to growing small businesses. We are seeing an increasing backlog of loan package underwriting and processing in a number of SBA district offices.

* What will the new administration do to ensure timely processing of loan applications from the many small businesses seeking credit guarantees from the federal government?

* Does the administration believe it may be necessary to increase the field office staff to support this loan demand?

* How will the servicing requirements of the rapidly growing loan portfolio be met in order to ensure that loan quality does not decrease?

ANSWER: It seems quite clear that there will be no additional staffing available due to budget constraints. Therefore, it will be necessary to reorganize and reassign existing staff to loan processing activities. It may also be necessary to re-balance staffing between field offices to ensure timely processing of loan applications. I will also be looking at the possibility of reducing Central Office staff in order to increase staff resources in the field.

Servicing requirements would most likely be addressed through expansion of the Fresno Central Servicing concept to one or two additional locations. The Fresno facility has taken the workload of servicing current, early stage delinquent and deferred business loans out of our District and Branch offices, freeing up personnel for other important assignments. It has resulted in a remarkable improvement in delinquency rates and significantly improved the Agency's delivery of services to lenders and borrowers.

8a) The budget request for FY 1994 proposes a 52% increase in the cost of the program to the borrower and/or lender, coupled with a substantial reduction in the appropriation level.

What will be the impact of the proposed subsidy reductions on small business? Have you done any research? Specifically comment on small and rural loans. Don't the proposals lead us to more real estate lending and less working capital?

ANSWER: The maximum guaranty on real estate loans will be 70 percent. Lenders in rural areas and lenders making working capital loans will be able to receive an 80 percent guaranty on their loans. We believe the reduction from the current maximum to 80 percent will not significantly hurt the ability of small business to obtain credit.

8b) Why does the president propose increasing the appropriation level this year through the supplemental process, and at the same time propose decreasing it in his next year's budget request? Is this not inconsistent?

ANSWER: The FY 1993 supplemental request for the 7(a) program is based on a subsidy rate of 5.47 percent. The FY 1995 request for 7(a) is based on a subsidy rate of 2.35 percent. The reduced request and the lower subsidy rate is based on the two proposed 7(a) policy changes -- lowering of the guarantee percentage to an average of 75 percent and charging a fee of 50 basis points on the outstanding principal balance to our secondary market participants. By moving to a lower subsidy rate, SBA can guarantee a greater amount in loans without an increase in appropriations.

9) Do you support a strong centralized effort to reduce the paperwork and regulatory burden on small business?

ANSWER: I believe in the need to reduce regulatory and paperwork burdens on small businesses. These two concerns are regularly mentioned by small business owners as impediments to the growth and development of their businesses and I support efforts to remove such impediments.

* Do you support Senator Bumpers' effort to reauthorize the Office of Information and Regulatory Affairs (OIRA)?

ANSWER: The Office of Information and Regulatory Affairs can play a significant role in assuring consideration of small business concerns over paperwork burdens. I support Senator Bumpers' efforts in this regard.

Senator Bennett -- Second Priority Questions

1). I have learned that less than one-half of one percent of all small businesses in this country make use of Agency programs. How do you proposed to do a better job of reaching out to our clientele?

ANSWER: I have also heard this figure, but I believe it is somewhat misleading. It is based upon SBA's commitment to new loans at about 23,000 per year. However, the total number of loans in SBA's portfolio is about 110,000, and each year, we provide more than 800,000 businesses with training and counseling services. That said, I will do my utmost to see that SBA is doing everything it can to serve all small businesses that need SBA assistance.

2). Do you believe you have the kind of relationship with the President that will allow you to be a strong, honest, voice in the administration about the realities of life and economics facing the owners of businesses employing 10 or fewer people -- the majority of businesses in the country?

ANSWER: Yes. I have a personal relationship with the President and he has asked me to report to him directly about the needs of small businesses. I also serve on the Economic Policy Council, which will thus assure small business a place at the table when it comes to economic policy decision making.

3) Is it time to review the criteria used for 7(a) guaranteed loans? Or is it your view that the program is now serving the appropriate audience?

ANSWER: Although the 7(a) program is working well, I believe the loan criteria should be reviewed. Demand for the program is at an all time high and delinquency and losses are well controlled. But given the scarcity of federal resources, we should determine whether our loan funds are being spent as wisely as they could.

4) What is the status of the White House Conference on Small Business?

ANSWER: The President and I are fully committed to the White House Conference. The President has charged me with being his eyes and ears in the small business community and the White House Conference affords us a wonderful opportunity to find out exactly what small businesses want and need. We will work with Congress to get it up and running as quickly as possible.

5) The Department of Defense authorization bill for FY '93 created a dual use extension service program, and the armed services committee, in report language, earmarked \$75 million for SBA 7(a) loan assistance. The appropriations committee provided \$100 million. What is the Administration doing to transfer the money out of DOD to the SBA so that small businesses in defense-impacted areas may be assisted?

ANSWER: DOD officials have indicated that they have no authority to release funds. We have been in contact with Senator Nunn, Chairman of the Senate Armed Forces Committee, who has indicated he would try to assist us in obtaining these funds. Additionally, I have written to Secretary Aspin, asking him to release these funds to SBA.

6) The SBA lending industry is considering an accreditation program for individuals involved in the loan packaging and/or loan processing functions. Would your office support such a program? (The goal here is for the industry to have better trained program participants, to set standards of performance, and to create a code of ethics.)

ANSWER: We have already met with industry officials on this subject. We have advised them we would welcome such an effort and would work with them to accomplish this goal.

7). How important a role, do you believe, will the SBA play in the economic plans of the current administration?

ANSWER: Please see answer to question number 2.

Senator Bennett -- Third Priority Questions

1) We all know that small businesses have limited resources and that the hiring of temporary replacement workers can often be extremely difficult.

How long would you estimate that small businesses could operate during a strike or walkout if they could not offer workers permanent positions?

ANSWER: Senator, I believe that is difficult to quantify, but I do know that hiring qualified workers is a challenge to all businesses even when not faced with a strike situation. I also note that those supporting our present system of collective bargaining feel that the ability to try to remain in business during a strike situation is an important balance to the right to strike.

2) For many small businesses it's difficult to find replacements workers with the requisite skills, training, or licenses required to fill the positions abandoned by striking workers, unless the employer is able to offer full time work.

Would you support the hiring of permanent replacements during strikes under any circumstances?

ANSWER: It is my understanding that under present law there is a distinction between the reinstatement rights accorded to employees striking over economic issues and those striking over unfair labor practices and that the term "permanent replacement" is a misnomer, as strikers often return to work. Economic strikers are not entitled to immediate reinstatement if they have been replaced during a strike. They must be rehired, however, as soon as a position becomes available after the conclusion of the strike. Unfair labor practice strikers are entitled to immediate reinstatement at the end of a strike, regardless of whether they have been replaced. To attract qualified replacements as employees, I understand it is frequently necessary to offer permanent employment.

3) Would you consider, for the purpose of cost savings, consolidation of various region and/or districts of the SBA?

ANSWER: We are considering some reorganizing, doing a management review, and identifying areas for savings in the agency's operations budget. Possibilities for savings may include setting up administrative loan servicing centers and reassigning staff from the Central and regional offices to the district offices. My management philosophy is to push our resources down to the field where our customers are.

4) For FY 1994, two program changes suggested in the Administration's budget proposal may reduce the cost to the government while maintaining the growth of the loan authority. One change is to decrease the Federal guaranty: to 80% maximum, and to not more than 70% for purchasing or refinancing real estate. The second proposal calls for SBA to charge an ongoing fee of 50 basis points per year on the principal balance of the guaranteed portion of any loan which is sold into the secondary market. This would "buy down" the cost of the program.

SBA calculates these two changes would reduce the subsidy rate for 7(a) loans from its current rate of 5.47% to 2.35%. This would save the program an estimated \$169 million for FY 1994 and \$724 million over the next four years. By comparison, the 504 subsidy rate is 0.54% for FY 1993, and is expected to decline to .51% for FY 1994.

Do you support the current Administration's proposed changes of the SBA's budget?

ANSWER: Yes, I support the Administration's proposed changes for the SBA budget.

Follow-up questions from
Senate Small Business Committee
Confirmation Hearing

Erskine B. Bowles, Administrator-Designate
U.S. Small Business Administration

SENATOR WALLOP

RETAIL PHARMACY PROGRAM:

I understand there are some problems for small independent pharmacies with the PPO (preferred provider organization) arrangements between PCS Inc. and the Federal Employees Health Benefits Program under Blue Cross/Blue Shield. This arrangement could force small pharmacies out of business, especially rural independent pharmacies. Do you intend to look into the matter to matter to help ensure that these small business pharmacies are protected?

ANSWER: The survival of small independent pharmacies remains an important issue for the SBA. We will continue to examine, analyze and respond to the effects of practices that adversely effect small businesses.

SBDCs -- RURAL AREAS:

I would like to ask about the funding formula for the SBDCs, a formula which Congress legislates. This issue is especially relevant because the SBDC in Sheridan, Wyoming is about to be closed down. Although the demand for services remains high, fewer resources are available.

It seems that rural areas, such as my home state of Wyoming which have a low population but an enormous land base, are at a significant disadvantage under the current formula. The problem is also frustrated by the artificial caps which kick in under the current formula. Wyoming has overmatched Federal cash requirements more than four to one in the SBDC program and can no longer continue at that level. Other states that can't reach their cap leave dollars on the table which small states like Wyoming could have easily matched but which are not accessible.

In your opinion, should the formula be reviewed to provide consistent, quality nationwide delivery of service?

ANSWER: SBA does not favor a modification of the funding formula to create sub-categories of SBDCs based on the size and population of states, as some have suggested. However, we are certainly willing to work with Congress to help develop a statutory allocation of funds among the states which would better accommodate SBDCs serving relatively small populations and large land masses.

TIMBER PROGRAMS AND SBA INVOLVEMENT:

I would like to support the questions submitted to you by Senator Pressler with regard to the need to get the SBA involved in the President's forest policy development. Timber reductions in western forest, including those in Wyoming, could have a devastating effect on rural communities and I request that you do all you can to help in this situation which is becoming a crisis for many timber communities.

Along those same lines, I would point out that the operation of many laws designed to protect the environment and endangered species oftentimes end up needlessly harming small businesses. It is my hope that you maintain a strong voice within the Clinton Administration to ensure that the small business consequences associated with such laws are adequately considered.

ANSWER: I recognize the current and potential impact of the timber harvest crisis. You have my commitment that the SBA will thoroughly review all aspects of this crisis and its impact on small business. We will take decisive action in all areas available to us to ensure continued existence of the forest products industry.

Follow-up questions from
Senate Small Business Committee
Confirmation Hearing

Erskine B. Bowles, Administrator-Designate
U.S. Small Business Administration

SENATOR BURNS

1). In the past several months, the SBA has issued a number of notices combining engineering services into larger and more general industry categories. On environmental projects, engineers were combined with truckers, haulers, constructors, and others into a single "environmental services" standard industrial classification (SIC) code.

These combinations are inconsistent with the broader concerns the government has in procuring engineering services. In effect, these rules seem intended to circumvent the Brooks Architect/Engineer Act and the Small Business Competitiveness Demonstration Program.

Engineers have specific laws and regulations pertaining to their acquisition. These rules ensure that the government provides for the safety, economy and general welfare of the public. I would like to urge you to withdraw these rules and resolve these issues prior to proceeding with such combinations.

Would you please respond to this concern, if not today, within the immediate future?

ANSWER: SBA published a rule which (1) designated SIC Code 8744 as the SIC Code to be used for environmental cleanup contracts which consist of at least three separate and distinct services; and (2) established a size standard of \$18 million for these contracts. Prior to the publication of this rule, there was no appropriate SIC Code designation or size standard for contracts for environmental cleanup.

This rule resulted from requests from the Air Force and a number of small firms to provide immediate guidance as to what SIC Code and size standard were appropriate for environmental cleanup services. We were informed that this is an emerging industry which has evolved very rapidly, and that these services did not fit into any of the existing SIC Codes.

Environmental cleanup differs from most other services because it usually involves work within a number of different industries, each with a different size standard. Absent an SIC Code for this

combination of services, agencies were classifying contracts in various existing SIC Codes, developed for single industries, such as engineering services only, or refuse services only, or construction only, with widely varying size standards. But as I've said, environmental services can encompass several industries under one contract. As such, no existing size standard or SIC code was appropriate.

This regulatory change created a size standard for this industry that combines elements of various SIC codes. This regulatory change did not affect the classification of contracts for engineering services only. While engineering services are often included in contracts for environmental cleanup, this new designation and size standard are to be used only when a contract for environmental services is comprised of activities consisting of three or more different industries. It is those contracts consisting of multiple activities that had no proper SIC Code classification prior to the publication of SBA's rule. A contract for engineering services alone, even if it is in the environmental area, will still be classified as engineering services in SIC Code 8711.

This rule has absolutely no effect on the Brooks Act requirement to use a qualifications-based selection process. Unless A&E services represent an incidental part of a contract for environmental cleanup, the statutory selection process has been, and will continue to be, used, regardless of the SIC Code in which these services are classified.

This rule also has no effect on the test being conducted in the Small Business Competitiveness Demonstration Program. One of the objectives of that Program was to determine if small businesses could successfully compete in four designated industry groups (DIGs) without the assistance of small business set-asides. One of these four DIGs is architect and engineering services. Again, this new designation will be used only for environmental services contracts which consist of three or more different activities from different industries. Contracts for engineering services, even if they are for environmental cleanup, will still be classified as engineering services in SIC Code 8711.

SBA received twenty-nine comments on this rule. Eighteen commentors did not agree with the new industry designation; however, seventeen of the eighteen commentors misunderstood which services and contracts would be affected by this rule. We will give serious consideration to the issues raised in these comments before issuing a final rule.

2). Now that you have had time to study the SBA situation for a short while, would you please comment for us your observations about any service duplication that SBA programs may currently be involved in. Are any of these duplications under consideration for reallocation?

In addition, are you aware of any duplication of services by other federal agencies that compete with those services SBA provides?

ANSWER: One of my priorities as SBA Administration is to make sure that our program delivery is made more effective and efficient. We must eliminate any program duplication that exists, if for no other reason than we simply cannot afford it. I will be looking very closely at these issues over the next several months, working with the Vice President's Task Force on streamlining government.

3) As you may know, our nation is presently going through a severe reduction in the volume of timber sold from our federal forests. As we speak, the President has an extensive effort underway in several agencies of the Administration to try to come up with some solutions for this forest crisis. It seems to me that it is critical that the Small Business Administration be involved in this forest policy formulation, for it is small businesses that will be hurt the most by a failure to solve the problem. Some of these small businesses will be in the forest products industry. But many other small businesses in communities that are dependent on the town lumber mill also are at risk. Can you tell me if the SBA is involved in the President's forest policy development? Can you advise this committee of SBA's role? Can you give us your assurance that as soon as possible, you will work to get SBA involved in this issue and keep us informed of what you are finding?

ANSWER: Indeed, the SBA is involved in the President's forest policy development. The Office of Advocacy of the SBA is serving on one of the three interagency working groups that are to address the federal timber issues and work toward solutions. The three groups are: (1) Ecosystem Management Assessment, (2) Labor and Community Assistance, and (3) Agency Coordination. The Office of Advocacy is working with the Labor and Community Assistance group.

In addition, I have already met with some members of the small business forest products industry to listen to their needs and problems and where it is appropriate, I shall act on alleviating those problems.

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